

THE DEPARTMENT OF STATE



Bulletin

Vol. XXXVIII, No. 977

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SECURITY AND PEACE • *Addresses by President Eisenhower and Secretary Dulles* 411

THE MUTUAL SECURITY PROGRAM, AN EXPRESSION OF AMERICAN IDEALISM • *Statement by Secretary Dulles* 427

ECONOMIC AID AND FOREIGN TRADE: HOW THEY HELP TO PROTECT OUR FREEDOM • *by Ambassador John Davis Lodge* 420

UNITED STATES TO SUPPLY IRBM'S TO UNITED KINGDOM • *Department Announcement and Exchange of Notes* 418

QUESTION OF EXTENDING THE TRADE AGREEMENTS ACT • *Statements by Secretary Dulles and Secretary of Commerce Sinclair Weeks* 432

For index see inside back cover

THE
OFFICIAL
WEEKLY RECORD
OF
UNITED STATES
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THE DEPARTMENT OF STATE

Bulletin

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The Department of State BULLETIN, a weekly publication issued by the Public Services Division, provides the public and interested agencies of the Government with information on developments in the field of foreign relations and on the work of the Department of State and the Foreign Service. The BULLETIN includes selected press releases on foreign policy, issued by the White House and the Department, and statements and addresses made by the President and by the Secretary of State and other officers of the Department, as well as special articles on various phases of international affairs and the functions of the Department. Information is included concerning treaties and international agreements to which the United States is or may become a party and treaties of general international interest.

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Security and Peace

Following are the texts of addresses made by President Eisenhower and Secretary Dulles at the Conference on the Foreign Aspects of United States National Security at Washington, D.C., on February 25.¹

ADDRESS BY PRESIDENT EISENHOWER

White House press release dated February 25

I am speaking tonight at a unique dinner in Washington. At this dinner are national leaders from all walks of life, every sector of our land, and from both political parties.

They have been meeting all day in our Nation's Capital, considering one of the most critical and embracing problems of our times—that of furthering the peace.

I am honored to join with them tonight, for they are dedicated people. They are dedicated to this proposition:

In the last analysis, we can have positive security only through positive peace.

Today a principal deterrent to war is adequate military strength. We are sustaining it; we will keep on sustaining it. But positive peace is one brought about by active work to create the living conditions, the level of education and health, the mutual understanding, and the sense of common purpose that make possible the genuine and everyday substance of living in harmony with our neighbors.

¹ For the text of a letter of Jan. 11, 1958, from President Eisenhower to Eric A. Johnston asking Mr. Johnston "to call in Washington a conference of business and organization leaders, bipartisan in character, to explore means of conveying to our citizens a fuller flow of information on the foreign aspects of our national security," see BULLETIN of Feb. 10, 1958, p. 211.

Peace is an affirmative, constructive, continuing development. Its foundation is an educational process that will give to all peoples a fuller understanding of the shadows of fear under which we live and a united determination to dispel them.

To maintain America's military strength during the next 5 years, with no great or early change in the world situation, we shall spend more than \$200 billion. This almost unimaginable sum will, together with similar but smaller expenditures of our allies, keep us in a strong security posture. But these sums, great as they are, cannot produce a single constructive, useful thing for human beings. Indeed they can give us no more than relative security; only true peace can give us true security.

For the past four decades the primary goal of American foreign policy, overriding all others, has been to bring about this kind of peace.

The methods we use are many and varied. They include day-to-day diplomacy, talks with heads of friendly governments, tireless efforts to work out amicably the clashes of interest that naturally arise even among friends. They include building the mechanisms of peace, such as treaties of friendship and the United Nations. They involve the effort to take specific steps toward peace, among them, satisfactory disarmament plans. They include information activities, cultural programs, educational exchanges, and promotion of mutually profitable trade. And they involve the program of mutual security.

It is with this last item that I shall principally deal.

It is my conviction that, urgent as the outlay for our own missiles and other modern weapons

may be, a strong program of military and economic aid is equally urgent.

This is a strong statement. But it is bare, plain fact.

My friends, we are talking about a program that has been proving its worth in practice for over 10 years. And yet, every time another year comes round, the mutual security program is compelled to engage in a life-and-death struggle for its very existence.

Why? The reason is that the attack is based, not on the record, not on the facts. It is based on slogans, prejudices, pennywise economy, and, above all, an outright refusal to look at the world of 1958 as it really is.

What the ostrich-like opponents of mutual security seem to be saying is: "Billions for armament, but not one cent for peace!"

Now let's get away from sloganeering; let's look at facts.

To do so, let us seek answers to three simple questions.

What is the mutual security program?

What good has it done?

What is its present function?

What Is Mutual Security?

Now mutual aid is of two kinds: military and economic.

Of these, the military side is much the larger. In our request for 1959 the sum needed for direct military assistance to others is \$1,800,000,000. "Defense support," which is the financial assistance we give certain countries in order to help them maintain military forces, accounts for another \$830,000,000. The military strength maintained by these friendly countries is as necessary to our security as it is to theirs. We depend on that strength. Moreover, the unit costs in sustaining this allied power are far less than in producing similar strength from our own resources.

If we should attempt to do the whole task ourselves, our overall costs would go up at an appalling rate. The number of young men inducted into our armed forces would be sharply increased.

In short, I know of no responsible military authority who would for one moment consider abandoning or weakening our program of military aid.

But having provided, with the cooperation of

our friends, for safety against military assault, we face only a bleak future of indefinite support of huge armaments unless we get on with the constructive work of peace. One of the major tools available to us, which serves both defensive and constructive purposes, is economic aid.

Economic and technical aid totals \$1,300,000,000. This is about one-half of what we spend for the military portions of our programs.

The larger part of this activity falls under three headings.

One is technical assistance. Often these countries have the needed funds and labor and determination to carry out splendid development programs. These include improvements in irrigation, agriculture, roads, dams, health projects, schools, and industrial facilities. Our small investment in providing the special skills of our experts supplies the necessary spark to release all this creative energy.

Another major part of economic aid is loans. Many of the newly developing countries cannot, in the early stages, borrow money from investors or banks. The new Development Loan Fund will tide them over this difficult period until their economies become stronger.

Now still another category of economic aid is called special assistance. This includes, among other things, grants where loan repayment would be impossible.

In short, economic aid is designed to bridge the two great gaps that stand in the path of most of the newly developing countries: lack of trained manpower and lack of capital.

Evidence of Connection Between Mutual Aid and Peace

Now, the second question: What good has all our mutual aid done?

The answer is this. Mutual aid has repeatedly played a major part in keeping free-world countries from losing their freedom. It has thwarted the Communist hope of encircling and isolating us by taking over vulnerable smaller countries, through aggression or subversion.

I give a few examples.

Consider Greece in the winter of 1947. Some 30,000 Communist guerrillas, financed from foreign sources, had seized control of large parts of the country. The Government did not have the

resources to strengthen either its small, poorly equipped forces or the crumbling economy.

At that point, under the Truman Doctrine, United States economic and military aid went to work. With that help, by the fall of 1949 the number of guerrillas was reduced to less than a thousand and later wiped out altogether. And during the years that followed the tottering economy was restored to prewar levels.

The result: freedom saved in a crucial sector, Communist imperialism checked.

Recall the critical situation in Iran before the fall of Mossadegh.

The economy was in chaos. Pro-Communist elements within the country were strong. The stage was set for a Communist takeover of this strategic country.

But the Shah and his people reacted vigorously, deposed Mossadegh, and reestablished law and order. American economic and military aid were promptly given and greatly bolstered the new Government. Now the country's oil, so important to our European allies, is flowing once again. A vigorous development program is in progress. Iran has found strength as a nation.

The result: again, freedom saved at a crucial point, Communist imperialism checked.

In 1954 we saw a clear case of the connection between mutual aid and peace in Viet-Nam. When Viet-Nam was partitioned in July 1954, south Viet-Nam faced the threat of overt aggression. It had the problem of absorbing nearly a million refugees. The country was full of private armies and subversive groups.

In spite of these appalling difficulties, Communist efforts to dominate south Viet-Nam have entirely failed. For this modern miracle, the Vietnamese people under the dedicated leadership of President Diem deserve great credit. At the same time American aid of all kinds played an indispensable role. With our help a National Army was organized and trained. Technicians helped the Government to set up institutions needed for healthy business and national life.

The result: once more, freedom saved at a highly critical point, Communist imperialism checked.

These examples could be multiplied in their number. Now ask yourselves: If this flood had not been stemmed at these points, where would it be now? Can there really be anyone

left in America who will say: "Never mind. Let these countries go one by one. We shall find peace and security in Fortress America."

We might as well try to find peace by building another Chinese Wall.

Our hope for permanent security and peace today is not in fortifications and walls. It is in the hearts and minds and unity of purpose of the people whose ideals we share throughout the world.

The Present Connection Between Mutual Aid and Peace

Our third question is: What is the present function of mutual aid?

As our mutual aid programs have shifted from meeting postwar emergencies to building the long-range basis for peace, the scene of operations has shifted. Our technical and economic aid is now concentrated heavily in the newly developing countries of Asia and Africa.

Throughout large parts of these continents, vast reserves of human energy are opening up in a way that has not happened for centuries. Now this poses a blunt question. Is this tremendous force to become funneled into violence, rioting, destruction of orderly government, and Communist exploitation? Or will this force be channeled into producing better education, wider sharing of prosperity, improved health and living standards, and greater freedom, self-determination, and self-respect? Is our goal a just and permanent peace, or is it merely a precarious security built on arms alone?

If you wonder why there is so much restlessness in such places as the Middle East, South Asia, and the Far East, look at a single statistic. Over a large part of this area, the average individual has 20 cents a day to live on.

Now some have asked, and still ask: "Hasn't this been true for centuries? Why then is it suddenly such a problem?" they say.

One reason is that most of the countries involved have recently become independent. The world has seen 20 new countries born since World War II. With independence and with greater knowledge of the outside world there has been a new hope, and a new determination to have a better life.

In these countries the trained Communist agent is always present, trying to make Communist cap-

ital out of this normal and healthy dissatisfaction with needless poverty. In the last few years the Communists have added a new technique: Blocked in their efforts to use military force for expansion, they have turned to offers of economic loans and credits—and this in spite of their own low standard of living at home. They are trying to imitate a valuable and needed program we began 10 years ago.

But there is a vast difference between the purpose of Russian loans and credits and the purpose of our own economic aid. The Soviet Union wants to gain economic, and ultimately political, control of the countries she pretends to help. We, on the other hand, want these countries to stand on their own feet as proud, robust friends and partners with whom we can live in mutual respect.

Improved agriculture and industry raise living standards and give more and more people a solid stake in peace.

Improved education brings greater political stability and international understanding.

Improved health cuts down poverty and misery, which are well-known breeding grounds of disorder and communism.

If we are to find the world we seek, we must catch the vision of the neighborhood of the world. When we have done this, all such measures as mutual world security will seem as natural and as logical—or as necessary to our own good—as our activities for community prosperity, health, and education now seem.

While economic aid undeniably helps other nations, it likewise strengthens our own security and economic position. It establishes good relations with nations from whom we obtain important raw materials and other goods. Asia, for example, supplies five-sixths of the world's natural rubber and half of its tin. Moreover, the countries principally concerned represent the greatest potential market for future trade relations. Already they are buying five times as much from us as they did in 1938.

If anyone, then, wants to judge this entire program only on a "what's in it for me" basis, he can find all the justification he needs. But beyond this, if others want to add another element, "Do unto others as you would have them do unto you," I see no reason to apologize for acknowledging

this kind of motive. I can see no great evidence of intelligence in sneering at "do-gooders" if their "do-gooding" helps America at the same time that it helps our friends.

But it is not a primary purpose of mutual aid to produce expressions of gratitude and affection.

We should rather look for these things: Is economic aid helping these countries to hold off Communist attempts to turn discontent into subversion? Is it helping them to become sturdy, self-respecting members of a peaceful free-world community? Is it helping to win, for all of us, a secure and just peace?

The answer is "yes."

Tonight I am not discussing the importance to peace and to our own domestic prosperity of the fullest possible trade with other nations—trade which means jobs to more than 4½ million Americans. That would take another speech all by itself. But let me try to pack my views into one or two sentences.

Under current conditions the urgency of both our mutual security and our reciprocal trade agreements legislation leaves no margin for error. These are not merely useful suggestions or helpful hints. They are iron imperatives of security and the building of true peace.

Mutual Aid and the Soviet Union

Of course, in the last analysis, the success of our efforts for peace depends heavily on our relations with the Soviet Union. We urgently want these relations improved.

We have urged that orderly preparatory discussions be undertaken to lay the groundwork for a productive high-level conference.

A start has been made toward increased exchanges of people and ideas.

A greatly increased flow, in both directions, of leaders of thought in the two countries would be productive in making the voices of our two peoples more influential than are the pronouncements of governments. In line with this thought I suggested, in a recent letter,² that visits to us by such nongovernmental Soviet leaders would be welcomed.

² *Ibid.*, Mar. 10, 1958, p. 373.

Another American proposal is that, beginning perhaps with cooperative projects aimed at conquering major diseases, we might embark upon a broad program of science for peace.

Moreover, our country proposes that we seek without delay to work out practical mechanisms to insure that outer space will be devoted only to peaceful uses.

But whatever the subject, whatever the means, we will spare no exertion, we will neglect no approach—whenever there is any promise of another step, large or small, toward a world of prosperity, justice, and harmony.

In conclusion, my fellow Americans, the action I would like to ask of you is simple. It is your fullest support of the pending programs of mutual military and economic aid.

Success in these fields, as always in a democracy, depends on you.

It depends on the fullest understanding by every American of the importance of these programs to our country, as well as an understanding of the hopes and needs and views of our friends overseas. It depends not only on what we are willing to give but on what we are willing to receive and learn from others. It depends on our realization of the indispensable role played by mutual aid to produce a safe and peaceful world.

And remember this: As our aid program goes forward with your support, people all over the world will know that it is not a maneuver carried out by dictators—it is rather an expression of good will and basic common sense coming from the voluntary act of a great and free people.

This is no time for shortsighted narrowness. The array of leaders of both parties who have come together here today is eloquent proof that on this issue partisanship has indeed taken a holiday. The urgency of the times and the opportunity before us call for greatness of spirit transcending all party considerations.

The tasks of building and sustaining a mighty military shield are hard and tremendously costly. The tasks of patiently building a sound peace in a sound world are less costly but even harder.

Americans have always shown a greatness of spirit and capacity of understanding equal to the demands of both war and peace. With faith in their God and with unshakable devotion to their

country, Americans will show these qualities now and in the years ahead.

ADDRESS BY SECRETARY DULLES

Press release 86 dated February 25

As I stand here, my thoughts inevitably go back to a day almost exactly 10 years ago when I stood with Secretary Marshall at the National Cathedral and participated in one of a series of nationwide religious gatherings designed to rally support for the European Recovery Program. That program was a program which had its inspiration and its prosecution on a bipartisan or nonpartisan basis. And so it is that, as it was carried on during this decade and is projected into the future, it retains the bipartisan character which is essential to make it an acceptable, durable, and successful policy. You here today will see ample evidence of that bipartisan support as you hear the President and a former President of the United States, one Republican and one Democrat; the Republican Vice President of the United States and one who has twice been the candidate of the Democratic Party for the Presidency; and a Democratic and now a Republican Secretary of State.

This is a national effort without partisan characteristics whatsoever, and, as such, it can and will continue and will succeed.

Now there are a good many reasons for supporting this mutual security program. I will mention very briefly only a few of them.

There is, first of all, a very elemental reason. This program gives employment to about 600,000 Americans. There seems to be an idea in some quarters that the money appropriated for mutual security is in some way taken abroad and spent there. Of course, that is not the fact. The money which is spent for the mutual security program virtually in its entirety is immediately spent in the United States, and it creates jobs—it does not take away jobs from the American people.

The Detering of War

But, of course, there are reasons far transcending that in importance. This mutual security program assures to the United States the use of bases throughout the world which are absolutely indispensable for our security, our safety, the

detering of war, and the preservation of peace. The deterrent power of the United States would not be adequate, would be subject to elimination by a sudden blow, if it were confined merely to the United States, based merely upon the United States. It is absolutely indispensable that there be bases dispersed around the world in order to have the diversification and the geographical sites dispersed, from which retaliatory power could take off.

That is secured for us by the mutual security program. And let me make clear this: that to have these bases, it is not enough to have the physical possession or occupancy of certain pieces of land. It is not enough to have a paper with writing on it which says that you can use a base. It is absolutely indispensable for the effective use of these vital areas that they be bases not just of military power but bases of good will, friendship, and cooperation.

So it is that the various features of this act are in that respect interlocked because, not only do they provide for the bases upon which the free world depends for the deterring of war, but it helps to assure that these bases will be friendly bases. I assure you that no base is of any value whatsoever if it is a base located in hostile territory or where the surrounding people are unfriendly. Such a base is a liability and not an asset.

And then there is a third reason. This mutual security program helps to maintain in existence forces around the world which are largely contributed by allied nations. They have, for example, nearly five million ground forces around the world which help to hold various strategic areas and to deter attack upon them. Eighty percent or more of the cost of that is borne by our allies. We make a contribution of around 20 percent, perhaps. But the whole, the 100 percent, is an effective defense of the United States because—make no mistake about it—if there is attack anywhere in the world, that is an attack which is designed immediately or indirectly, presently or prospectively, to injure and be an attack against the United States. We are the target.

Well, now, there is another aspect of mutual security and that is that the mutual security program contributes to keeping out of the tentacles of Communist imperialism many countries of the world, newly independent in great part, under-

developed in great part, which are coveted by communism as part of its program. The Communist program was announced a long time ago and was only recently reaffirmed. It is designed to encircle, and eventually to strangle, the United States. Already that strategy has worked to the extent of bringing nearly one billion people within its control. The purpose is to go on and on until finally, as I say, the United States is encircled and ultimately there is economic strangulation. At that point Mr. Stalin remarked that the remnants of capitalism might, and he put it in quotes, "voluntarily" give in to communism.

Only recently, as you know, Mr. Khrushchev announced: We declare war upon you, not military war but economic war, and in that we are relentless and are determined to win.

These countries, as Mr. Johnston has pointed out, have to a large extent recently won their political independence, but that is not enough because there is throughout this area, as a result of gaining political independence, a tremendous expectation that something now is going to happen, something better is going to happen in terms of the economic life of the people who for so many generations seem to have been caught in a morass of hopeless poverty. Unless something can be done about that within the *free* world, inevitably they will be caught in the trap of communism, not only to *their* ultimate disaster, *their* exploitation, but to the ultimate undoing of the *United States itself*.

The Counterchallenge of a Dynamic Spirit

Well, those are some reasons, and they add up to a pretty compelling list: the deterring of war, maintaining of peace, the preservation for the United States of an environment in which we ourselves can live happily and securely. Surely those are goals worth seeking.

But there is something beyond that. You know this threat from international communism is a pretty formidable affair. It is formidable primarily because it represents the belief, the fanatical belief, of a group of people who feel that they have hold of something which is going to enable them to dominate the world. You can't account for the fact that a group of people who 41 years ago controlled nothing now control about a third of the world's population. You can't explain that just by technicalities, that they did this,

they did that, or the other thing. That kind of thing emanates from a dynamic belief. And that kind of a challenge can only be met successfully by a counterchallenge, a counterchallenge of a faith that is held more intensely and that is a greater and a truer faith.

These reasons that I have given are not, alone or in the aggregate, adequate because they are purely defensive. We are never going to cope with this situation by defensive measures or by a defensive spirit. There has got to be a dynamic spirit, and, unless the specific things that we do are encompassed within that spirit, then I fear that they will fail.

Where in the world is that spirit to be found if it is not to be found within our own country? That indeed is the very foundation of our nation. Our founders did not organize this Republic as a small, selfish area of security and well-being. They founded this nation as a great experiment in human liberty which would extend itself throughout the world. Our Declaration of Independence proclaimed not merely a political fact. It proclaimed that all men are "endowed by their Creator with certain unalienable rights." And when our nation was in process of formation, those who advocated it did so on the ground, as set forth in the opening paragraph of *The Federalist* papers, that it seemed reserved to the American people by their conduct and example to show that there can be organized a good society of free men and upon the success or failure of our experiment will depend the fate of humanity.

And when George Washington gave us his Farewell Address, he said that we must so use this blessing of liberty that it will be sought for and adopted by all the peoples of the world who do not yet have such liberty.

I have often quoted a statement made by Abraham Lincoln with reference to our Declaration of Independence, in an impromptu speech which he made at Philadelphia on the way to be inaugurated in Washington. He said about that Declaration of Independence:

It was not the mere matter of the separation of the colonies from the motherland but something in that Declaration which gave liberty not alone to the people of this country, but hope to all the world, for all future time. It was that which gave promise that in due time the weight should be lifted from the shoulders of all men and that all should have an equal chance.

And he went on to add:

I was about to say that I would rather be assassinated on this spot than to surrender that concept of our Declaration of Independence.

Well, that is the spirit that we need today. It is nothing new. It is the American concept of mission, of dedication, not just to ourselves, not to our selfish welfare, but a dedication to bring the blessings of liberty to all men everywhere.

So, as we support for one reason or another specific reason this mutual security program, I hope that the American people—and you will have a great part in determining that—I hope that the American people will have a rebirth of the faith, the dedication with which our nation was founded, which represented for so long a time what was known the world over as the Great American Experiment. This is the time to revive, to renew, the great American experiment; and as we think of others, we will in that way be most apt to save ourselves.

Guatemalan President-Elect Visits United States

The Department of State announced on February 22 (press release 80) the following members of the party accompanying Miguel Ydígoras Fuentes, President-elect of the Republic of Guatemala, during his 3-day visit to Washington, D. C., February 23-25:

Señora de Ydígoras
Julio Asensio-Wunderlich, Chargé d'Affaires ad interim of Guatemala
Carlos García Bauer and Señora de García
Rafael Herrera and Señora de Herrera
Roberto Alejos and Señora de Alejos
Mariano Lopez Herrarte
Col. Gildardo Monzón, chief of the Guatemalan presidential aides
Boris Arévalos, aide to President-elect Ydígoras
Lotty de Wyld, secretary to Señora de Ydígoras
Wiley T. Buchanan, Jr., Chief of Protocol of the United States

Prime Minister of Afghanistan To Visit United States

White House press release dated February 24

At the invitation of President Eisenhower, His Royal Highness Sardar Mohammad Daud Khan, Prime Minister of Afghanistan, will pay an official

visit to the United States beginning June 24, 1958. He will spend 3 days in Washington conferring with President Eisenhower, Secretary of State Dulles, and other high-ranking officials of the Government. Following this visit, the Prime Minister will tour the United States.

U.S. Recognizes Government of United Arab Republic

Press release 87 dated February 25

STATEMENT ON RECOGNITION

The United States Government has been officially informed of the proclamation of the United Arab Republic following the plebiscite conducted in Egypt and Syria on February 21. The United States Government, having taken note of the assurances of the United Arab Republic that it intends to respect and observe its international obligations, including all international obligations of Egypt and Syria, respectively, existing at the time of the formation of the United Arab Republic, extended recognition [today] to the Government of the United Arab Republic, with the expression of its good wishes.

United States To Supply IRBM's to United Kingdom

Press release 82 dated February 24

DEPARTMENT ANNOUNCEMENT

The Department of State announced on February 24 that the Governments of the United States and the United Kingdom have concluded an agreement under which intermediate-range ballistic missiles will be supplied to the United Kingdom.

The agreement, concluded in accordance with a decision reached by President Eisenhower and Prime Minister Macmillan at Bermuda on March 22, 1957,¹ is contained in an exchange of notes, and an accompanying memorandum, between Christian A. Herter, Under Secretary of State, and Sir Harold Caccia, British Ambassador in

¹ For text of joint communique with annexes issued at Tucker's Town, Bermuda, on Mar. 24, 1957, see *BULLETIN* of Apr. 8, 1957, p. 561.

Washington. The texts of these documents follow.

U. S. NOTE

DEPARTMENT OF STATE

Washington
February 22, 1958

EXCELLENCY: I have the honor to refer to discussions which have taken place between representatives of the Government of the United Kingdom of Great Britain and Northern Ireland and of the Government of the United States of America on the subject of the supply by the United States Government to the United Kingdom Government of intermediate range ballistic missiles.

I also have the honor to record that, pursuant to the agreement in principle reached between the Prime Minister of the United Kingdom and the President of the United States at Bermuda on March 22, 1957, and in support of the purposes of the North Atlantic Treaty and of the obligations of the parties thereto, the representatives of the two Governments have agreed to the terms set out in the memorandum annexed hereto regarding the proposed supply of intermediate range ballistic missiles.

Accordingly, I have the honor to propose that this Note and Your Excellency's reply to that effect shall be regarded as constituting an Agreement between the two Governments in the terms set out in the annexed memorandum and that such Agreement shall have effect from the date of Your Excellency's reply.

Accept, Excellency, the renewed assurances of my highest consideration.

For the Secretary of State:

CHRISTIAN A. HERTER

His Excellency

SIR HAROLD CACCIA, K. C. M. G., K. C. V. O.,
British Ambassador.

MEMORANDUM

1. The Government of the United States shall supply to the Government of the United Kingdom an agreed number of intermediate range ballistic missiles and their related specialized equipment and make available training assistance in order to facilitate the deployment by the Government of

the United Kingdom of the said missiles. The missiles shall be located only in the United Kingdom at such sites and under such conditions as may be agreed upon between the two Governments.

2. The United Kingdom Government shall provide the sites and supporting facilities required for the deployment of the missiles.

3. Ownership of the missiles and related equipment shall pass to the United Kingdom Government under established United States Mutual Assistance Program procedures as soon as the United Kingdom Government is in a position to man and operate the missiles.

4. The missiles will be manned and operated by United Kingdom personnel, who will be trained by the United States Government for the purposes of this project at the earliest feasible date.

5. For the purposes of this Agreement, training and test-firing of missiles will normally take place on United States instrumented ranges but by agreement with the United States Government the United Kingdom Government may arrange with the Government of the Commonwealth of Australia for missiles to be test-fired on the Woomera Range in Australia.

6. Material, equipment, and training provided by the United States Government to the United Kingdom Government pursuant to the arrangements recorded herein will be furnished pursuant to the United States Mutual Security Act of 1954, as amended, acts amendatory or supplementary thereto, appropriations acts thereunder or any other applicable United States legislative provisions.

7. The decision to launch these missiles will be a matter for joint decision by the two Governments. Any such joint decision will be made in the light of the circumstances at the time and having regard to the undertaking the two Governments have assumed in Article 5 of the North Atlantic Treaty.

8. References to intermediate range ballistic missiles in this Agreement do not include the nuclear warheads for such missiles. The United States Government shall provide nuclear warheads for the missiles transferred to the United Kingdom Government pursuant to this Agreement. All nuclear warheads so provided shall remain in full United States ownership, custody

and control in accordance with United States law.

9. The arrangements recorded herein are made in consonance with the North Atlantic Treaty and in pursuance of the Mutual Defense Assistance Agreement between the United Kingdom Government and the United States Government, signed January 27, 1950,² as supplemented, and related agreements, and are subject to the applicable provisions thereof.

10. This Agreement shall be subject to revision by agreement between the two Governments and shall remain in force for not less than five years from the date of the Agreement but may thereafter be terminated by either Government upon six months' notice.

WASHINGTON, February 22, 1958.

U.K. NOTE

BRITISH EMBASSY,
Washington, D. C.
February 22, 1958

SIR, I have the honour to acknowledge receipt of your Note of today's date with reference to discussions which have taken place between representatives of the Government of the United States of America and of the Government of the United Kingdom of Great Britain and Northern Ireland on the subject of the supply to the United Kingdom of intermediate range ballistic missiles, which Note reads as follows:

[Here is repeated the full text of the U.S. note.]

I have the honour to inform you that the proposal made in your Note is acceptable to the Government of the United Kingdom and to confirm that your Note, together with this reply, shall constitute an Agreement between the two Governments in the terms set out in the memorandum annexed to your Note, a copy of which memorandum is enclosed, such Agreement to have effect from the date of this Note.

I avail myself of this opportunity to renew to you the assurance of my highest consideration.

HAROLD CACCIA

The Honourable
CHRISTIAN A. HERTER,
Under Secretary of State.

² For text, see *ibid.*, Feb. 13, 1950, p. 253.

Economic Aid and Foreign Trade: How They Help To Protect Our Freedom

by John Davis Lodge
*Ambassador to Spain*¹

One of the greatest legal minds of the ages, Justice Oliver Wendell Holmes, has written these luminous words about lawyers:

But to those who believe with me that not the least godlike of man's activities is the large survey of causes, that to know is not less than to feel, I say—and I say no longer with any doubt—that a man may live greatly in the law as well as elsewhere; that there as well as elsewhere his thought may find its unity in an infinite perspective; that there as well as elsewhere he may wreak himself upon life, may drink the bitter cup of heroism, may wear his heart out after the unattainable.

And so we lawyers have a very special responsibility in this difficult and dangerous world. Indeed, you have during the past year or so heard a number of brilliant speeches on the need for creating a world of law. Lawyers are in a unique position to understand what it means to bring the public force to bear against the criminal, whether that criminal is an individual or a nation. This is not only the essential challenge to our generation; it is, of course, an age-old challenge, one which we shall have to meet in one way or another if we are to survive. We shall have to impose the necessary disciplines upon ourselves if our freedom is not to be crushed by disciplines imposed on us by others.

Under the leadership of our great President we are, of course, responding to this fateful challenge in many ways. Justice Holmes' famous dictum that "the foundation of jurisdiction is physical power" is helpful to a real understanding of the challenge. Physical power is, of course, expressed in many ways.

¹ Address made before the American Bar Association at Atlanta, Ga., on Feb. 20 (press release 74 dated Feb. 19).

In his excellent address on the state of the Union,² President Eisenhower has told us that we have, essentially, great military strength; that we are taking steps to equal and eventually to surpass Russian scientific achievements; and that our economic assets are more than equal to the task of meeting Soviet imperialist aggression on non-military fronts. The President has also made strong recommendations with respect to mutual economic assistance and international trade, recommendations which will, I hope, be endorsed by the Congress in order to provide these additional safeguards to our national security.

We must, of course, meet the Soviet threat on every front on which it presents itself. The Soviets have achieved their major conquests without war. Quite obviously, there is no present reason for them to go to war if they can reach their immediate objectives without it. We can, of course, avoid war by allowing them to add to their already vast colonial empire without the use of military power. This is a policy which we reject for it is defeat by default.

Just as the criminal may be deterred from committing a crime by the certain prediction that he will be severely punished if he does, so can we avoid war by convincing the Russians through our actions that the punishment which would be visited on them would be awful in its destructiveness. However, as long as the Soviets continue to resort to actions short of war in enslaving other people, we must, in our own interest, resort to actions short of war in blocking them and in our efforts to help peoples already enslaved.

² BULLETIN of Jan. 27, 1958, p. 115.

Soviet successes, except for the Hungarian tragedy, have so far been achieved not by military invasion but by subversion, external pressure, internal force, bribery, coercion, and corruption. Even Hungary originally was subjected from within. Indeed, communism has never won in a free and fair election. The enslavement of some 600 million people has been achieved largely from within: the Trojan Horse technique; the Fifth Column taking advantage of the opportunities for incitement provided by free systems of government and exploiting the weaknesses in these countries. We must learn to defeat the Russian Communists in this twilight zone of action.

In his state of the Union message the President said:

But what makes the Soviet threat unique in history is its all-inclusiveness. Every human activity is pressed into service as a weapon of expansion. Trade, economic development, military power, arts, science, education, the whole world of ideas—all are harnessed to this same chariot of expansion.

The Soviets are, in short, waging total cold war.

The only answer to a regime that wages total cold war is to wage total peace.

We must wage this total peace, then, by intelligent diplomacy in all its forms, by projecting truth both inside and outside the Iron Curtain, by basic scientific research and by a great revival in education, by military and economic aid, by loans and by foreign trade, and by every resource of the human spirit. We must exhaust every means at our disposal to checkmate our enemies in order to avoid the holocaust of total "hot" war. For wars are but extensions of peacetime conflicts. I am confident that we can use these means and at the same time keep our atomic deterrent powder dry. But it will not be easy.

A Basic Sense of Unity

Underlying our various efforts there must be a basic sense of unity. For, if the Western World is truly united, Soviet imperialism can make no headway and the Soviet empire will eventually crack and sway and finally crash from inanition. Our President has worked hard to achieve this unity by his presence at the NATO meeting in Paris and by many other means. The Secretary of State, too, has made great contributions. His visit to Spain, following the NATO meeting, has, for example, been most useful in this connection. For, although Spain is not a member of NATO,

Spain is an Atlantic nation; Spain is the site of important bases; and Spain proved her anticommunism some 20 years ago in a bloody civil war in which a million lives were lost. Indeed the Spanish people understand well what it means to fight and to experience the treachery of international communism. The full cooperation of the noble people of Spain is vital to the unity of Western Europe. It will constitute a mighty force; it will place the Soviets on the defensive.

The challenge of European unity goes back over many centuries. In a recently published and remarkable book entitled *Journey for Our Time*, the Marquis de Custine, writing in 1839, states that, if the European nations do not learn to achieve unity, the Russians will be able to conquer them diplomatically and without even firing a shot. Unity, not uniformity or even unanimity, is what we seek. We seek it not only abroad but at home. Our dedicated President deserves and needs all our support in his efforts to protect America and lead the Western World in the cause of a durable peace. To us Americans this means sublimating private desire to the public good. It means placing the emphasis not on our differences but on the broad sweep of our common aspirations and interests. Let's turn off the heat and turn on the light. It means that in our contacts with each other and with our friends abroad we should stress the things which unite us rather than those things which tend to divide us. Benjamin Franklin's famous exhortation, "We must all hang together, or assuredly we shall all hang separately," is as valid today as it was when he uttered it.

Economic Battleground

I should like to stress particularly the economic field as a vital battleground. The United States, by far the world's greatest trading nation, is in a commanding position to determine the outcome of the economic struggle. Accordingly, the result of this titanic conflict may in great degree be determined by decisions that the Congress will make this year. On these decisions may well hinge not only the fate of Western civilization but our very survival as an independent people. The United States, standing alone, could not for long preserve either its prosperity or its free institutions. Indeed, ultimately we would succumb as a nation. We live increasingly in an interdependent world, a world in which political boundaries no longer co-

incide with economic frontiers. Indeed, our security and our prosperity depend upon the security, the stability, and the unity of our allies. Their security and continued stability depend in turn in large measure on economic conditions. Their unity can hardly be achieved without American economic aid. To retreat to "Fortress America," a suggestion one still hears rather desperately offered, is to retreat from life. We can no more avoid the struggle of the marketplace than we can avoid the sweaty bull ring of politics, or the bloody arena of war if all other weapons fail. There are many reasons why we cannot go back to "Fortress America."

First, with the productive capacity of our friends harnessed to our common cause, we have an overwhelming advantage in industrial power over the Soviet empire. Conversely, this industrial power, in the predatory clutches of our enemies, would be more than enough to overwhelm us.

Second, the military bases which our allies share with us and the military forces they join with ours give us at present a strategic advantage for defense, thus greatly decreasing the cost of defense and the likelihood of war. These bases, these forces, in enemy hands, would vastly increase the cost of our defense and would immeasurably multiply both the hazards of war and the risks of defeat. To say that missiles and rockets would rob us of this advantage is merely to assert that we must, of course, not only keep pace but set the pace in this field as well as in others. There may, as we are well aware, be instances where conventional arms in a limited area will have to be resorted to.

This is not a time, and, indeed, there has never been a time, when a great nation could safely rest on its laurels and say, "My work is done."

In addressing the Congress President Eisenhower said:

In much the same way, we have tremendous potential resources on other nonmilitary fronts to help in countering the Soviet threat: education, science, research, and, not least, the ideas and principles by which we live. And in all these cases the task ahead is to bring these resources more sharply to bear upon the new tasks of security and peace in a swiftly changing world.

Our economic power can in certain cases effectively prevent the Soviets from spreading the evil tentacles of despotism at the expense of our friends. We can use the economic weapon to im-

pede the Russians in their attempt to colonize large areas of the world where we wish to see friendly nations prosper in peace and independence.

Moreover, it is vital that we maintain our access to raw materials and world markets. Without these, available investment capital would dry up; fear and doubt would replace confidence and faith, and the prosperity with which we support our defenses, as well as a full life, would disappear.

For the more industrialized nations prosperity and continued progress depend in great part on foreign trade. For the new nations in Asia and Africa, trade is vital to their development, indeed, to the very establishment of their nationhood.

Mr. Khrushchev, the First Secretary of the Communist Party, recently stated, "We declare war upon you . . . in the peaceful field of trade. We declare a war we will win over the United States. The threat to the United States is not the ICBM but in the field of peaceful production. We are relentless in this and it will prove the superiority of our system." Just as Hitler warned us in *Mein Kampf*, so has Mr. Khrushchev warned us: "We will bury you," he said.

Mr. Khrushchev has shown that he understands the opportunities that exist in the field of development assistance, and he has been busy in this area also.

Foreign Trade and Economic Aid

What are the decisions to be made this year which will so vitally affect the outcome of this grim contest? One concerns the appropriation for the mutual security program, which involves military aid, defense support or economic aid, and development loans. Another concerns the bill to renew the trade agreements program. These measures suffer from a common handicap. They are difficult to dramatize, particularly in an election year. The effects of aid and trade are important but they are gradual; they are indirect; they are not quickly and readily visible. Accordingly, it may be hard to mobilize public opinion on behalf of these valuable weapons. And yet we must mobilize our total arsenal short of war. Let us, as our President has eloquently urged, wage total peace and use our predominant productive power. Let us also get some facts across to our alert citizenry. Let us point out that economic aid

and foreign trade are not bountiful gestures from a generous people. We are a generous people, yes. There are programs which do come from the great heart of America and which are of enormous benefit to many millions of people who are not as fortunate as we. Yet, with all our natural wealth, our skills, and our inventiveness, the United States must look outside its borders for many of its most essential needs, and, if our productivity is to be maintained and our economy expanded, we must sell a portion of the goods we produce to non-Americans.

Over four and a half million wage earners, about seven percent of our entire labor force, owe their jobs to foreign trade.

In 1956, five percent of our national income—\$17.2 billion—came from the sale of American goods to other countries. Imported materials are 10 percent of the total raw materials which the United States consumes, and many of them are of such vital importance to our economy that, for example, we have to import about 18 percent of the iron ore we use to make steel, 88 percent of the manganese and cobalt, 97 percent of the nickel. In brief, we account for 20 percent of the world's exports and 15 percent of the world's imports. We are, indeed, the world's largest trading nation.

Our friends are, of course, just as dependent on trade and in many cases even more so. They cannot buy from us unless they can export. This is undeniable, and it is vital. Without international trade in food there would be widespread hunger, despair, unrest, and political chaos—a fertile seedbed of communism. These are central truths. We of the non-Communist world must, therefore, work together. The common welfare depends in great part on international trade.

Since 1954 the Soviet empire has concluded numerous trade agreements, particularly in the Middle East and Africa. This trend is a threat to American national security. It is another weapon in world domination. Secretary of State Dulles has said:³

What is needed is a willingness of the free nations, first, to moderate the unjustifiable trade barriers in co-operative agreements with one another and, second, to agree to handle in an orderly and equitable way the trade problems and controversies which inevitably arise between them.

Today many people live in appalling poverty.

³ *Ibid.*, Mar. 19, 1956, p. 472.

There is throughout the world a "revolution of rising expectations." Trade is essential for attaining these goals.

Because trade and economic aid lie in a sensitive zone, there is a temptation to have two foreign policies. We want to defend ourselves with military power and by means of military alliances, but, subconsciously perhaps, there is a desire in some quarters to retreat to "Fortress America" in our economic policies. This is not only contrary to our economic interests; it is fraught with danger. In order to achieve a more durable peace we must bring all our power to bear on a concurrent front. Military might is only a part of our total power. Moreover, two-thirds of the mutual security budget, or \$2½ billion, is military. It helps our allies to bear the burden of the common defense.

We need all the friends we can get; and we must help our friends to sustain a share of the military burden in the struggle in which we are irrevocably joined. We must help equip their manpower not only for defense in the military sense but also for industrial and other economic defenses. A much lesser amount, a modest amount relatively speaking, is devoted to economic development.

The Hope of Progress

We do not seek to buy for these allied nations an industrialized economy overnight, nor do we seek to purchase their friendship. What we do seek is to give them the bright hope of progress so that they can resist the somber menace of Communist oppression. We seek to give them technical assistance whereby specialists from other nations teach farmers, workers, businessmen, and government officials the best means to increase their own efficiency and productivity. We provide economic assistance whereby the United States, along with other governments and international agencies, makes funds available for the surveys and engineering and the basic improvements required to stimulate further development.

Funds for economic development are increasingly being made available on a loan rather than a gift basis. The Development Loan Fund was created last year to provide loans for economic development on more businesslike terms than in the past. The fund (1) separates development efforts from other objectives and (2) provides financing of long-term projects when funds are not available from other sources.

The \$625-million appropriation which the President has requested this year for the Development Loan Fund is minimal if Soviet efforts to penetrate the uncommitted nations of Asia and Africa are to be effectively and promptly countered and if we are to continue helping to build up the essential defense industries and facilities of our already committed allies.

If our friends abroad did not have the chance to trade, we would have to increase our economic aid program to a tremendous extent in order to keep them strong enough to resist communism. This would be a great additional burden on the American taxpayer, and it is doubtful if it could succeed.

In the past the United States has provided the leadership, releasing the power of initiative through a gradual, moderate reduction of tariffs on a reciprocal basis under the trade agreements program. The President has asked the Congress to renew the program for 5 years, a period which, as the President put it in his message of January 30,⁴ "is necessary to carry the trade agreements program through the early formative years of the European Economic Community and strengthen our ability to further vital American interests there and elsewhere in the world."

In speaking of the need of protecting our own freedom through the trade agreements program, I am very mindful indeed of protecting the livelihood of the workers and the owners of the businesses of America. The bill for the extension of the Trade Agreements Act contains all the safeguards for American industry contained in the present act plus the authority to raise tariff rates somewhat higher to alleviate serious injury in certain exceptional cases. The President's authority in this respect provides safeguards against injuries and hardships which these measures might cause here at home.

Programs for the expansion of trade and for economic assistance are, as I have attempted to show, essential in defense terms alone. The benefits far more than justify the cost. But the strategic benefits are only the beginning of the total rewards to the American people of sound foreign economic policies. Broadened trade during the past year has provided steadily expanding markets for the manufacturers of our country and will continue to do so.

⁴ For text, see *ibid.*, Feb. 17, 1958, p. 263.

In the case of development assistance, a relatively modest loan of U.S. Government funds for engineering or basic projects can provide the "seed money" to release development funds from governments and international agencies and may open the way for private participation in a development project. Development, in turn, provides expanding markets for American capital goods, and in the long run, as experience shows, it creates a net increase in outlets for the consumer goods we manufacture. Development also means more reliable, more economical sources of raw materials and continuously widening opportunities for American private investment.

Thus, even if a program of broadened trade were not demanded for strategic reasons, it would be justified as a stimulus to American prosperity and progress. Accordingly, economic assistance which is essential to our defense will ultimately also produce important contributions to our economic growth.

In a recent forthright speech before the National Press Club,⁵ Secretary Dulles made this profound remark:

It is up to us to make our freedom so rich, so dynamic, so self-disciplined that its values will be beyond dispute and its influence become so penetrating as to shorten the life expectancy of Communist imperialism.

Let us by all means place great reliance on our economic strength. Let us use it as a weapon short of war. But let us recognize also that our high standard of living is not a protection in a jungle world where unbridled passions are still on the march. Our creature comforts are not a shield in the struggle for survival. Indeed, they may well be a disadvantage. History produces many examples of the decline and fall of proud nations and their conquest by nations which had no luxuries, few comforts, and, in some instances, little culture.

The Classical Choice

This, ladies and gentlemen, is where our mettle will be tested. The choice is obvious but painful. It is the classical choice: guns or butter. We must show that we are more capable of sacrifice than the people for whom austerity may be both a necessity and a creed. We have more to sacrifice. They, perhaps, have only their lives to lose. We

⁵ *Ibid.*, Feb. 3, 1958, p. 159.

Americans have more to give up and therefore more to defend.

Alexander's Macedonians, Alaric's Goths, Attila's Huns, Genghis Khan's Mongols, George Washington's tattered volunteers! History contains many examples of the victory of austerity over material abundance. The Spaniards were lean and hungry in 1492. This helped them to discover, explore, colonize, and settle large parts of the New World. It also gave them the motive power and the courage to oust the Arabs from their last stronghold in Spain—Granada—where the Moorish king and his court were living a life of Sybaritic ease in the palaces and patios, the fountains and the flower-scented gardens of the Alhambra. The Christians did not die in the Coliseum and in the catacombs of Rome or fight the Crusades in defense of their personal belongings. They had a sense of mission, a deep feeling of dedication, a lofty inspiration. We know, deep down in our hearts, that we do not live by bread alone. We know that the cult of mediocrity and the fear of excellence have no place among America's finest traditions. We know also that we Americans are still capable of enduring "blood, sweat, and tears" to protect not our standard of living but the culture, the dignity, the sweetness of life, the spiritual values which we associate with our beloved America. We know that, in order to exercise the leadership of Western civilization in this hour of decision, we must rally behind our President and prove to a confused and distracted world that we value our duties even more than our rights, our obligations even more than our privileges, and that we recognize that freedom and responsibility are inseparable.

We can hardly take refuge in the thought that it is virtuous for us to devote our energies to the satisfaction of our own appetites and, when this is accomplished, to invent new appetites to satisfy.

Neither can the challenge be met by the optimistic philosophy which holds that all life's problems can be solved either by scientific research, or by the expenditure of money, or by appointing a commission.

Vice President Nixon spelled out our obligations clearly and vigorously in a speech last October in California.⁶ "If the free world is to

survive," he said, "we cannot rest on our past achievements or our present position of military superiority. We must constantly push forward on all fronts—military, economic, and moral—if we are to defeat the very real threat which the Communist empire poses to free men everywhere."

No individual—no nation—has ever achieved greatness by placing the accent on "ease." Justice Holmes said, "The measure of power is obstacles overcome," and again, "To love glory more than the temptations of wallowing ease." Had Patrick Henry said, "Give me security or give me death," his name would not be known today. The greatness of America lies not in our standard of living, wondrous as it is, not in our material possessions, unprecedented and comforting as they are, but in our ability to strive and to push ever outward the frontiers of human knowledge. It lies in our capacity to cross thought barriers as well as sound barriers. It lies in the realm of ideas, for ideas are the necessary precursors of action; even the atom bomb will move to the measure of men's thoughts. It lies not in our size as a country but in our nobility as a people—in our capacity for dedication to great causes; in our ability to live by and die for the timeless tenets of human conduct on which our country was founded. No struggle, no victory; no victory, no crown; "no wilderness, no Moses; no cross, no Christ."

"There is a tide in the affairs of men, which, taken at the flood, leads on to fortune." Ladies and gentlemen, this is the tide; it is at the flood. The rest is up to us.

Euratom President Invited To Visit United States

The Department of State announced on February 28 (press release 94) that Secretary Dulles, on behalf of the Department of State and the Atomic Energy Commission, has invited Louis Armand, President of the European Atomic Energy Community (EURATOM), to visit Washington in April.

The U.S. Government has accepted a proposal of the EURATOM Commission that a joint U.S.-EURATOM working party be established to prepare for Mr. Armand's visit. The joint working party will examine the means whereby the United

⁶ For text, see *ibid.*, Nov. 4, 1957, p. 703.

States and EURATOM may cooperate in the development of a prototype nuclear power program along the lines proposed by the EURATOM Commission in a communique issued on February 28.

Letter of Secretary Dulles to Mr. Armand, February 24

DEAR MR. PRESIDENT: I understand that Admiral Strauss has expressed to you through Mr. Monnet the hope that you would be able to come to the United States in the spring. I too am hopeful that your schedule will permit such a visit, and would suggest the dates of April 8 and 9. I should appreciate your letting me know whether these dates are agreeable to you.

We realize that your Community is anxious to move forward with all possible speed and we share your view as to the desirability of such progress. We are confident that the recent exploratory discussions in Europe among representatives of EURATOM, the United States Atomic Energy Commission, and the Department of State have laid the groundwork for fruitful discussions in Washington of possible modes of cooperation between the United States and your Community.

I hope that you have fully recovered from your recent illness and look forward to seeing you soon in Washington.

Sincerely yours,

JOHN FOSTER DULLES

EURATOM Commission Communique, February 28

Mr. Louis Armand, President of EURATOM, has today accepted an invitation, transmitted by Ambassador Walton Butterworth¹ to visit Washington in April. This invitation of the Secretary of State, Mr. John Foster Dulles, and the Chairman of the Atomic Energy Commission, Admiral Lewis L. Strauss, proposed a discussion of the possibilities of close cooperation between the U.S. Government and the European Atomic Energy Commission in the fields in which EURATOM

¹ For an announcement of Ambassador Butterworth's appointment as U.S. representative to the European Economic Community and the European Atomic Energy Community, see p. 445.

will be engaged in order to develop the peaceful uses of atomic energy.

To prepare this visit, the EURATOM Commission and the U.S. Government decided to set up a joint working party.

In view of Europe's urgent need for atomic power as evidenced by the Wise Men's report *A Target for EURATOM* this working party is instructed to pay special attention to the possibility of initiating at an early date a joint program of the order of one million KW for the development of full-scale prototype reactors.

Thus would be initiated "A fruitful two-way exchange of experience and technical development, opening a new area for mutually beneficial action on both the governmental and the industrial level and reinforcing solidarity within Europe and across the Atlantic," as stated in the words of the joint communique issued February 8, 1957, by the Department of State, the Chairman of the Atomic Energy Commission, and the EURATOM Committee.²

**Food Offered to Ceylon
for Flood Victims**

The Department of State announced on February 26 (press release 90) that a gift of 30,000 metric tons of foodstuffs for relief and rehabilitation of flood victims in Ceylon was offered on February 25 to the Prime Minister of Ceylon, S. W. R. D. Bandaranaike, by American Ambassador Maxwell H. Gluck. The gift represents a total estimated value of \$4.5 million at current U.S. market prices and including ocean freight. It consists of at least 15,000 tons of rice, with the balance to be in the form of other foodstuffs, and is being supplied under the emergency provisions of the Agricultural Trade Development and Assistance Act (P. L. 480, title II).

This offer is in addition to previous gifts for flood relief totaling 11,000 tons of wheat flour from the U.S. Government, which are now en route to Ceylon.

² BULLETIN of Feb. 25, 1957, p. 307.

The Mutual Security Program, an Expression of American Idealism

Statement by Secretary Dulles¹

The President has sent to the Congress a forceful message² calling for the vigorous continuation of the mutual security program. In my estimation that course is vital to our country's safety.

The Era of Change

We live today in an historic era of change. It will spell the rise or fall of whole civilizations and of great nations. Some will meet the challenge; others may succumb.

The Congress and the executive branch, in whom our fellow citizens have reposed their trust, bear an enormous responsibility to understand clearly the nature of this challenge and to respond to it. The adequacy of our response will determine, for generations to come, whether our peoples will, in peace, enjoy the blessings of liberty or start upon the downward slope that leads to increasing encirclement and ultimate war or subjugation.

What are the great currents of change? There are two which transcend all others.

Communist Imperialism

One is the revolutionary movement of international communism. Within 41 years a small group of violent men, starting in Russia, have seized control of all or major parts of 17 nations, with nearly one billion people.

The Communist bloc now boasts of enormous military power—ground forces of 400 divisions, vast air fleets, naval forces, including 500 subma-

rines, and nuclear bombs and outer-space missiles. They are developing a large economic potential. All of this is centrally controlled and used primarily to achieve its original goal of world conquest.

The Drive for Progress

The second great revolutionary element in the world today is the march toward independence of colonial peoples. Since World War II, 20 nations with a population of 700 million people have achieved their independence. And these people, as well as the peoples of other less developed nations, are determined that they must and *will* have economic progress.

Soviet Economic Penetration

The Communist imperialists are seeking to amalgamate the current of new nationalism into their own movement. This makes the total challenge more acute. Asia and Africa and other nonindustrialized countries are becoming major battlefields of the cold war.

Until a few years ago Communist imperialism sought to expand by a policy of threats, bluster, or armed action. These crude and obvious methods ceased, however, to pay dividends. Now the Soviet leaders follow a new technique. Where they formerly treated all free nations as enemies, they now profess the greatest friendship toward them—particularly toward those which seek economic development.

Having set out on this new course, they have followed it with energy—and capital and skilled manpower. They have made offers of economic help to nations in all parts of the globe. They and other bloc nations have already entered into

¹ Made before the House Committee on Foreign Affairs on Feb. 26 (press release 89).

² For text, see BULLETIN of Mar. 10, 1958, p. 367.

agreements with 16 nonbloc nations for lines of credit or grants totaling nearly \$1.6 billion in economic assistance and an additional \$400 million for military assistance.³

The Soviets are providing not only promises but performance. They are actually providing capital assistance according to their pledges. They are providing rapidly increasing numbers of technicians. They are engaged in vigorous efforts to increase their trade with nations in all parts of the free world.

The Communist bloc's economic offensive is, of course, not designed genuinely to help newly developing countries to achieve sound economic growth within a framework of political independence. Just as the people now within the Sino-Soviet bloc are exploited, so the newly independent peoples would be exploited. But that goal is camouflaged behind propaganda which represents that only through association with the Communist bloc can the less developed peoples achieve the progress that they seek.

The present Communist political-economic offensive forms part of the Communist strategy of gradual encirclement and eventual strangulation of the more developed free nations, notably the United States. This is the process which, if we fail to understand it or, understanding it, fail to respond effectively, will lead to the gradual diminution of the perimeter of freedom until it is pushed back to our own shores and we and perhaps a few remaining allies will be but a beleaguered island in a Red sea.

Mr. Khrushchev has recently said:

We declare war upon you—excuse me for using such an expression—in the peaceful field of trade. We declare a war we will win over the United States. The threat to the United States is not the ICBM, but in the field of peaceful production. We are relentless in this, and it will prove the superiority of our system.

That is a warning to be heeded.

What Should Our Course Be?

I emphasize these powerful movements at large in the world because many are inclined to think in terms merely of increasing our own *military* power.

Such course would be suicidal.

As President Eisenhower said in his message on

³ For a summary of the recent Soviet economic offensive, see *ibid.*, Jan. 27, 1958, p. 144.

the mutual security program, "... we must not allow concentration on our military might to divert us from other essential objectives of our national security program."

The task before us is manifold. We must, of course, deter war—whether general nuclear war or limited war. But also we must prevent Communist absorption or envelopment of free nations by the more subtle means of economic penetration and political subversion.

Detering War

Let us consider first the problem of deterring war. We have long since decided that we cannot do this alone. To attempt that would lead to intolerable taxes and insupportable increases in the draft of our young men and women. Even then we would be weaker than we now are with collective effort. This collective way is the only sensible way. To that end there exist NATO, SEATO, ANZUS, the Baghdad Pact, and our bilateral arrangements with the Philippines, the Republic of Korea, the Republic of China, and Japan. The Organization of American States also has its common-defense aspects.

These arrangements embody promises to come to each other's help. These promises are important. But also there is need of military strength-in-being. Our program of mutual security has that as one of its principal purposes.

In the 8 years of this mutual effort our allies have vastly increased the effectiveness and numbers of their forces. We have contributed weapons and material. Yet our help, though substantial in amount and critical in kind, has been but a fraction of the total effort. In this whole period we have contributed \$20 billion in our military assistance program while nations associated with us in the collective defense effort have made defense expenditures totaling \$122 billion.

There is another aspect of our mutual defense effort which is of transcendent importance. The most powerful deterrent to aggression is our strategic air force and our naval might. This great power is heavily dependent on dispersed bases around the world. These are supplied by many of our allies and friends as part of their contribution to mutual defense.

Local Aggression

We cannot be sure that mobile strategic power will, alone, suffice to deter all aggression else-

where. There is need also for local forces to resist local aggression and give mobile power the opportunity for deployment. As the President said in his message last week: "It is imperative that the free world maintain strong conventional forces capable of dealing effectively with such aggressions whenever and wherever they may occur."

Our associates in mutual security are willing to provide the great bulk of the needed conventional forces if we will provide some of the necessary arms and, in certain countries, some of the economic strength needed to support their military establishments.

In the world as it is today, the peace of our country and the peace of every free-world nation rests in the most literal sense on the great forces of the United States combined with the great forces of the free world. Together they create an arch on which rests the safety of our homes and loved ones. The military-assistance and defense-support aspects of the mutual security program are the keystones in this arch of our security.

Development Program

Let me turn now to our strategy to counter the Communist efforts to manipulate, for their purposes, the great political and economic evolution that is occurring.

I have heard it said that "we must not enter into a competition" with the Soviet bloc in this field. My reply is that we are not entering into a competition with them. They are entering into competition with us. They are attempting to take over and pervert for their own ends the normal processes whereby, historically, nations that are not yet developed borrow abroad to get their own capital development under way.

In this political-economic warfare, the Soviets are aided by the fact that within the free world the development of new nations has traditionally rested with *private* capital. In our own country's early history we borrowed great sums from foreign investors with which we built many of the railroads with which we opened up our country and many of the factories which were part of our industrial development.

Today our Government favors the greatest possible participation by United States private capital in the development of the less developed areas of the world. However, the political risks in many of these countries are greater than private

persons will assume. Therefore, unless there is to be a breakdown in what have been the normal and historic means of developing less developed countries—a breakdown which would put great victories within the Communist grasp—governmental funds must play a part. In this connection I would like to quote from the warning joined in by members of your committee serving on our delegation to the United Nations General Assembly 2 years ago:⁴

We are in a contest in the field of economic development of underdeveloped countries which is bitterly competitive. Defeat in this contest could be as disastrous as defeat in an armaments race.

The Program for Mutual Security in Fiscal Year 1959

If these are the challenges which confront us, what then must we do to surmount them and go forward?

An essential part of the answer is in the President's proposals now before you.

First, to maintain the peace, we must maintain the military strength of the free world as a deterrent to Communist armed aggression.

The President has asked \$1.8 billion for *military assistance*, that is, actual military goods. Of this approximately \$510 million will go to our NATO allies, essentially for modernization and missiles. Some nearly \$700 million will go to Korea, Pakistan, Taiwan, Iran, Viet-Nam, and other countries separated from the full power of the Soviet bloc only by a border gate or a narrow strait.

We believe that the ground forces maintained by certain of these countries can be reduced in number as more modern weapons enable fire power to go up. The sums requested include consideration of that factor.

The President also asked for \$835 million for *defense support*. This is to go to countries in which our military assistance is helping to support substantial military forces so that these countries can and will maintain such forces and, in some cases, contribute additionally to the common defense.

Defense support is proposed for 12 nations. As in the past, the great bulk of it, 70 percent, is intended for only four of these, Korea, Taiwan, Viet-Nam, and Turkey.

⁴ *Ibid.*, Jan. 23, 1956, p. 117.

None of these 12 nations has the economic capacity to support forces of the size we believe important to our common defense without our help. These nations are collectively providing three million armed men in ground, air, and naval units located at strategic points around the perimeter of the Communist bloc.

The *second* great purpose of our mutual security program is to deal realistically with the second great challenge I have mentioned—the determination of the peoples of the newly developing nations to make economic progress. We have the instruments for this in our well-established technical cooperation program and our newly created Development Loan Fund.

We believe we should make a moderate expansion of *technical cooperation* this year in a few countries where we now have programs and undertake new programs in nations which have recently gained independence. The total needed for 1959 is \$142 million.

There is one new aspect of our technical cooperation program to which I should like to refer specifically—the extension of the United Nations Technical Assistance Program agreed to at the recent meeting of the General Assembly.⁵

This important and difficult matter was handled by Dr. Judd of your committee. I hope that at a later time he will explain the serious problem which the United States faces.

The *Development Loan Fund* is now the only element of the mutual security program which can *ordinarily* be used to promote assistance for development. It was recommended to the Congress last year, upon the basis of numerous studies prepared in the Congress, the executive branch, and the public, that a loan agency be established which would make it possible for the United States to help friendly nations develop their economies on a basis of self-help and mutual cooperation.

The committee of conference on the authorizing bill recommended that the fund now be established as a corporation. This is in accord with the views of the executive branch, and we recommend to the Congress that this be done, in a form that will assure that lending by the fund will be fully coordinated with the foreign-policy interest of the Department of State, the mutual-security activities of ICA, and the lending of the International Bank and the Export-Import Bank.

⁵ *Ibid.*, Jan. 13, 1958, p. 57.

Last year the Congress appropriated \$300 million for the fund and authorized the appropriation of \$625 million for the coming fiscal year. Since the appropriation of the funds for fiscal year 1959 is already authorized, your committee will not be called upon to act on an authorization this year. Nevertheless, I would like to make clear to you my belief that, for all the reasons I have discussed earlier, it is immensely important that the full amount of these funds be made available as part of the capital of the Development Loan Fund. They are as important for the future safety of our country as any dollars appropriated for weapons.

There are other needs—some close to our collective security effort—which cannot or should not be met out of military assistance, defense support, or other categories. These will require *special assistance*. There are two main groupings in which these needs fall. The first is to help maintain stability both political and economic in certain nations where we do not support substantial military forces and which are not therefore eligible for assistance under defense support. Such nations include Ethiopia, Morocco, and Libya, where we have military installations, and Jordan. Secondly, special assistance is also designed to support such activities as assistance to West Berlin, to continue the worldwide malaria eradication program, and for other important uses.

After the needs which can be programed in advance have been considered, there will still remain a need to be able to meet unforeseen emergencies. The President has asked a \$200-million contingency fund for needs of this nature. It would be reckless, in the light of conditions existing in the world today and the virtual certainty of Communist cold-war initiatives that we cannot now foresee, to leave the President without an emergency fund of at least this size.

Other programs, for which the President requests in the aggregate \$100.6 million, will be dealt with in detail in the coming days of your hearings.

We Can Afford the Security We Need

I know that many members of the Congress and their constituents are concerned by the cost of our mutual security program. Some are unable to understand why we should engage in economic assistance abroad when there is plenty to do here at home.

In this connection it should be borne in mind that the great bulk of our foreign-aid funds, over three-fourths, are spent in the United States in the first instance. The mutual security program is estimated to account for the employment of some 600,000 American people. To cut these funds would be to cut employment here at home.

There are, however, even more important considerations. The program is for the mutual security of our own and other free nations.

I know that this program is often called "foreign aid" and that it is regarded by some as a "giveaway." There is no "giveaway" in this program, but there would have been and there would be a "giveaway" if we did not have it. We would have indeed "given away" a dozen or so nations with their hundreds of millions of people. We would indeed have "given away" the access which we and other nations have to essential resources. We would indeed have "given away" essential bases.

Worst of all, we would have "given away" America's great spiritual heritage.

This nation was not founded for the purpose of gaining safety or to achieve material prosperity. This nation was founded to demonstrate ideals which our founders believed would achieve world-wide acceptance. Those ideals were expressed in our Declaration of Independence which, as Lincoln said, meant "hope to all the world, for all future time."

Today this American idealism, once known the world over as the Great American Experiment, finds its dynamic expression in this mutual security program.

I have heard it said that he who pleads for mutual security has no clients, no constituents. Nothing could be further from the truth. His constituents are the entire American people, for it is their interests that are involved and their ideals that are at stake.

The issue is a simple one. Are we so poor that we cannot afford to pay for peace and security and to continue to cultivate in the world those concepts of national independence and human liberty for which our nation was founded? Everyone knows that, if we were to be attacked by force of arms, we would afford to fight back. Surely we can pay the infinitely lesser cost of waging peace.

Congressional Documents Relating to Foreign Policy

85th Congress, 1st Session

Foreign Trade Policy. Hearings before the Subcommittee on Foreign Trade Policy of the House Committee on Ways and Means pursuant to H. Res. 104. December 2-13, 1957. 865 pp.
The Far East and Southeast Asia. Report by Senator John Sparkman. December 31, 1957. 19 pp. [Committee print.]

85th Congress, 2d Session

Study Mission in the Caribbean Area, December 1957. Report of Senator George D. Aiken to the Senate Committee on Foreign Relations. January 20, 1958. 22 pp. [Committee print.]
NATO—Autumn 1957. Report of Senator Theodore Francis Green to the Senate Committee on Foreign Relations. January 25, 1958. 24 pp. [Committee print.]
North Africa and the Western Mediterranean. Report of Senator Mike Mansfield to the Senate Committee on Foreign Relations. January 30, 1958. 41 pp. [Committee print.]
Message from the President of the United States transmitting a notification given by the Government of the United Kingdom of Great Britain and Northern Ireland with a view to extending to certain British overseas territories the application of the convention of April 16, 1945, for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, as modified by the supplementary protocols of June 6, 1946, May 25, 1954, and August 19, 1957. S. Exec. C, January 30, 1958. 7 pp.
Message from the President of the United States recommending legislation relative to the reciprocal trade agreements program. H. Doc. 320, January 30, 1958. 3 pp.
Increased Export-Import Bank Lending Authority. Report to accompany S. 3149. S. Rept. 1270, February 4, 1958. 4 pp.
Report on Audit of Export-Import Bank of Washington for the Fiscal Year Ended June 30, 1957, pursuant to the Government Corporation Control Act (31 U. S. C. 841). H. Doc. 322, February 4, 1958. 15 pp.
Tariff Treatment of Chicory. Report to accompany H.R. 5005. H. Rept. 1339, February 10, 1958. 4 pp.
Third NATO Parliamentarians' Conference. Report of the United States House delegation to the Paris Conference of NATO Parliamentarians, November 11-16, 1957. H. Rept. 1334, February 10, 1958. 12 pp.
Increased Cost of Issuing and Renewing Passports. Report of the Senate Committee on Government Operations. S. Rept. 1288, February 13, 1958. 19 pp.
A Review of United States Foreign Policy and Operations by Senator Allen J. Ellender. Poland, U.S.S.R., Iran, Iraq, Syria, Greece, Yugoslavia, Romania, Hungary, Czechoslovakia, and France. S. Doc. 78, February 13, 1958. 361 pp.
International Geophysical Year, The Arctic, Antarctica. Report of the House Committee on Interstate and Foreign Commerce pursuant to section 136 of the Legislative Reorganization Act of 1946, Public Law 601, 79th Congress, and House Resolution 99, as amended, 85th Congress. H. Rept. 1348, February 17, 1958. 182 pp.
Mutual Security Program. Message from the President of the United States relative to our mutual security program. H. Doc. 338, February 19, 1958. 7 pp.

Question of Extending the Trade Agreements Act

Following are statements made before the House Committee on Ways and Means by Secretary Dulles and Secretary of Commerce Sinclair Weeks on February 24 and February 17, respectively, in support of the President's proposal for an extension of the Trade Agreements Act.

STATEMENT BY SECRETARY DULLES

Press release 81 dated February 24

I am here to support the President's proposal to extend and strengthen the now expiring Trade Agreements Act.¹

That proposal has two main aspects:

(1) It is designed to benefit our national economy by enabling us to share more of the world's trade and commerce.

The Secretary of Commerce and the Secretary of Agriculture have convincingly shown the importance of the President's proposal from this domestic standpoint.

(2) The President's proposal is also designed to help make the United States secure against external danger.

It is that aspect of the President's program that I today ask you to consider.

A Symbol of Economic Cooperation

The reciprocal trade agreements legislation of the United States, enacted in 1934 and extended and strengthened since then on 10 different occasions, has by now become symbolic, the world over, of economic cooperation as a substitute for economic warfare. It stands for the proposition that everyone is better off by exchanging goods rather than by trying to be self-sufficient.

Following the depression of 1929 many nations

sought to revive their economies by building up trade barriers in terms of tariffs, quotas, and currency barriers. The consequent decline in world trade brought about, by 1934, extreme nationalism in several countries, and that was a major cause of World War II.

Since World War II the trend has happily been in the other direction, at least so far as the free world is concerned. The United States, by far the greatest single economic unit, has been an indispensable leader in this respect. Our Trade Agreements Act, as renewed and strengthened from time to time, has reflected a purpose to build up, and not pull down, international trade.

Today this is more than ever important. That increased importance results from the grave dangers that we face from Communist imperialism.

The Physical Danger

I shall speak first of the physical danger that we face.

Since 1955, when the Trade Agreements Act was last extended, there have been revolutionary developments in the instrumentalities of war. Hydrogen bombs have been developed in quantity, with explosive power measured in terms of megatons and not mere kilotons. The means of their delivery have been vastly increased, not merely by supersonic planes but by missiles hurled through outer space and traversing distances running into the thousands of miles.

For the first time in history the United States is subject to major devastation from weapons launched from foreign soil.

That danger is met, and our peace is preserved, by one fact and one fact alone—that is that the free world is not disunited but works together and provides *dispersed* power to retaliate against armed aggression. That dispersal is a vital element. If our retaliatory power were located only in the United States, it would not be a dependable

¹ For text of the President's message to Congress on continuation of the trade agreements program, see BULLETIN of Feb. 17, 1958, p. 263.

deterrent for it might be largely obliterated by a sudden blow. It takes cooperation all around the world to assure that Soviet armed aggression will be deterred.

This cooperation cannot be sustained on a purely military basis, with disregard of economic factors. The United States is the economic heart of the free world. The economies of other free nations depend, in large part, on the flow of trade—their economic life blood—to and from the United States.

The dependable and effective use of joint military facilities in other lands faces inevitable collapse unless the governments and people associated with us feel that their relationship with the United States contributes not merely to military security but also to indispensable economic security.

Does this mean that our friends and allies may try to coerce us into trade arrangements which, from our standpoint, are improvident? It does not mean that. Never has any foreign government attempted to negotiate in those terms.

But there are certain facts of life that we must recognize. One is that representative governments cannot ignore the sentiments of their people. And other peoples will scarcely believe that we regard security as a two-way proposition, or that we take the Soviet Communist danger seriously, if we seem to be unconcerned about their economic welfare and force them to economic dependence on the potential enemy.

The peace of the United States, now more than ever, depends upon maintaining with other free peoples a sense of fraternity and of community. This implies willingness to cooperate with them in the field of trade and commerce.

Political-Economic Warfare

It would, however, be a great mistake to assume that the only danger our nation faces is that from open, armed attack. The greater danger comes from the political-economic warfare of international communism.

Its strategy involves subverting one country after another until finally the United States is isolated and its economy so depressed that, to use Mr. Stalin's words of 1924, the United States "will consider it expedient 'voluntarily' to make substantial concessions to the proletariat." That

strategy was recently restated by Mr. Khrushchev in these words:

We declare war upon you—excuse me for using such an expression—in the peaceful field of trade. We declare a war we will win over the United States. The threat to the United States is not the ICBM, but in the field of peaceful production. We are relentless in this, and it will prove the superiority of our system.

It would be reckless to treat that threat as negligible. Soviet rulers have been rapidly developing their means of waging economic warfare against the United States and have now achieved an industrial level that enables them to export manufactured goods in increasing quantity and variety and to take in exchange large amounts of natural products, agricultural and mineral, either for their own use or to dump on free-world markets. They hope thus to gain economic dominance, and subsequent political dominance, in many countries that seek an assured foreign market whereby to earn the means to pay for essential imports.

Already the Soviet bloc has initiated this technique in relation to Egyptian cotton and Syrian cotton and wheat. The Communist rulers no doubt hope thereby to gain a controlling influence over the Suez Canal and the Syrian pipelines, with which they could dominate the economy of Western Europe.

Similar Soviet-bloc efforts are manifest in relation to other areas.

If other free-world nations think that the United States market will be increasingly closed to them, that will immeasurably help the Soviet Communist bloc to prosecute their plan of economic encirclement and ultimate strangulation of the United States.

Assuring a Friendly World Environment

Some elements of United States industry seek to improve their competitive position by implying that any competition from abroad, merely because it is "foreign," should on that account be debarred.

The United States cannot accept that viewpoint without endangering our whole nation. There is, of course, a wide range of cases where foreign competition should be restrained, and is restrained, by protective action. But a general disposition to exclude foreign goods whenever they

are competitive would gravely disrupt economic, political, and spiritual relationships which are required for our own welfare and for the defense of our peace and freedom.

It is neither un-American nor unpatriotic to have national policies designed to assure a congenial and friendly world environment. Since our earliest days it has been, and now is, accepted United States doctrine that our own peace and security interlock with conditions elsewhere. We have, when needed, paid a great price in blood and treasure to prevent other lands from falling under the control of hostile despotisms.

The first great foreign policy of the United States was the Monroe Doctrine. It declared that the peace and security of the United States would be endangered if hostile despotisms were to extend their political systems into any portion of this hemisphere. By the Caracas Declaration of March 1954, the American Republics declared that the domination or control of the political institutions of any American state by the international Communist movement would endanger the peace of America. The Congress of the United States in June 1954, with only one negative vote, endorsed that Caracas resolution.

If, indeed, the spread of international communism to this hemisphere endangers our peace, shall we seek by sound economic measures to prevent that? Or shall we adopt trade policies that will create the very danger we signaled?

Our second great foreign policy evolved in relation to Europe. In World War I and World War II the United States incurred casualties of the order of one million and spent hundreds of billions of dollars rather than see the other side of the Atlantic fall under the domination of a hostile despotism. Now this threatens for the third time. Shall we have trade policies that will unite Western Europe with us in vigorous freedom? Or shall we renounce this waging of peace?

Our third great foreign policy evolved in relation to the western Pacific. We were unwilling that the Far East and the Pacific Ocean should fall under the domination of hostile war lords. In order to prevent that, we fought a long and hard Pacific war. Unless we have enlightened trade policies, we shall risk losing all that we thought we had won at so grievous a price.

Since the close of World War II the United States has, by treaties or joint congressional reso-

lutions, proclaimed, as regards nearly 50 nations, that the peace and security of the United States would be endangered if these other nations were to fall into the clutches of Communist imperialism. But the Communists are not going to keep "hands off" merely because of bold treaty words or resounding congressional proclamations. The Russian and Chinese Communists are tough. Our words will command respect only if we are seen to be ready to back them up.

If we are to avoid the grim alternatives of war or surrender, we must have the national policies and actions represented by our mutual security program and by the Trade Agreements Act. With these measures the United States and its allies *can* peacefully win the cold war. President Eisenhower said last December in Paris:² "There is a noble strategy of victory—not victory over any peoples but victory for all peoples."

The policies of the free world over recent years have been winning policies, and clearly so. Armed aggression has been deterred, and the free world has cooperated successfully to resist Communist subversion.

In Eastern Europe outbreaks in East Germany, Poland, and Hungary have shown the discontent of the captive peoples and their longing to become again free and self-respecting nations.

Within the Soviet Union itself there have been sensational political changes over the past 5 years which represent not merely personal struggles for power but a conflict of policies related to the growing desire of the people for more intellectual freedom, more personal security, and better living conditions.

It is by no means visionary to foresee the time when nations and peoples now being exploited by international communism for external adventures and world conquest will have governments genuinely dedicated to promoting the welfare of their own people. Then indeed the international scene will be transformed. However, this result will not be achieved unless the free-world nations stand firm on the policies that create a unity which nullifies both the military and the political-economic threats which now stem from Communist imperialism.

² For text of the President's address and statements before the meeting of Heads of Government of NATO countries held at Paris Dec. 16-19, 1957, see *ibid.*, Jan. 6, 1958, p. 3.

The imperialist leaders have, or believe they have, one asset on their side—that is the tendency of the democracies to get tired and not to be willing to persist in the efforts that are required to sustain free-world unity and strength. If that unity ever collapses, then the Communists could feel that victory was within their grasp.

The essential is that we hold fast to policies which have demonstrated their worth and which, if persisted in, will assure that the ultimate victory will be that of the people, not of the despots.

Examples of U.S. Trade Policies

Let me take, by way of illustration, four key positions—north, south, east, and west.

To the north there is Canada. The United States and Canada are inescapably interdependent from the standpoint of continental defense. In 1957 Canada bought from us about \$3.9 billion of goods and sold to us about \$2.9 billion of goods. Canada has expressed its concern at the size of this adverse trade balance. If the Canadian Government and people were to assume that it is our purpose to make that trade balance still more adverse, there would inescapably be adverse repercussions on our joint North American defenses.

I turn to the south, to Venezuela. It supplies petroleum products which were vital to us and our allies during World War II and the Korean war. Later, Venezuelan petroleum prevented a major catastrophe when, in 1956, the Suez Canal was closed and the Iraqi-Syrian pipeline blown up. Venezuela bought from us, in 1957, about \$1 billion and sold to us about \$900 million of goods. If the Government of Venezuela considers that we intend to put up serious barriers to imports from Venezuela, the consequences will not be in the interest of our national security.

I turn eastward to Europe, taking the United Kingdom as an example. The British people are authors and staunch defenders of free institutions. We have a varied and vital military cooperation with the United Kingdom. We have just concluded with it our first IRBM agreement.³ The United Kingdom lives by participation in world trade. In 1957 it bought about \$1.1 billion of United States goods and sold to us about \$775

million of goods. If the United States were to adopt policies that would set in motion a series of worldwide trade restrictions and high-tariff policies, the effect upon the United Kingdom would be grievous.

If we turn now to the Far East, we have the case of Japan. Japan is our second largest market for American goods generally and our best market for agricultural products. Japan has a population of some 90 million. They live in an area about the size of California but with no comparable natural resources. The Japanese must manufacture and trade to live. They are, indeed, the only important industrial nation in the Far East. They bought from the United States in 1957 about \$1.250 billion of goods and sold to us about \$600 million of goods.

In the period of the early thirties, when world markets were closing and international trade declining, the leadership of Japan passed to those who believed that Japan, in order to earn a decent livelihood, would have to impose its rule over China and Southeast Asia to insure adequate markets and sources of raw material. That led to war. Today the Soviet Union and Communist China eagerly covet the use of the industrial power of Japan for their military and economic-warfare purposes. The Japanese resist that unholy alliance. But surely our trade policies ought to help to make it possible for Japan to gain a livelihood within the free world.

There is no suggestion that the United States should eliminate all restrictions on all imports from these four countries or from any other countries. Actually, special measures have recently been taken to limit imports from each of the four countries I have specifically mentioned. For example, there is a Government-sponsored voluntary restriction which limits oil imports including those from Venezuela and from Canada. There is an increased duty on bicycles from the United Kingdom, as a result of escape-clause action.⁴ There are Japanese-imposed restrictions on textiles,⁵ flatware, and other goods sold to the United States.

Surely a system that contributes so much to our political and military security, which takes ac-

³ For background, see BULLETIN of Sept. 5, 1955, p. 399, and Nov. 4, 1957, p. 722.

⁵ For background on the Japanese program for control of cotton exports to the United States, see *ibid.*, Feb. 11, 1957, p. 218.

² See p. 418.

count of the needs of our domestic industry, and which provides our farmers and industrial workers with vast markets, should be effectively continued.

As other witnesses have testified, there is developing a new situation in Europe as a result of the Common Market treaty which will create a common market without trade barriers as between six countries of Western Europe. It remains to be seen whether those responsible for the Common Market will adopt liberal trade policies or protectionist policies as regards others. The decisive period in this respect is from now through 1962. Much will depend upon the example of the United States and the bargaining power of the United States. This is a particular reason for extending the act for 5 years and strengthening it as requested by the President.

The Paramount Consideration

George Washington gives pertinent advice in his Farewell Address. He counsels that our national policies should be formulated not on a basis of sectionalism but on the basis of overall national interest. "Every portion of our country," he says, "finds the most commanding motives for carefully guarding and preserving the union of the whole." And that union, he adds, should be "directed by an indissoluble community of interest as one nation" (underlining his).

Almost every national policy hurts some and benefits others. The form of our taxation, the nature of our defense purchases, the location of government operations—all of these and other national policies inevitably tip the scales of competition. Often, and certainly in the field of trade, those few who may be hurt are more vocal than the many who may gain. I do not complain that those who may be hurt are vocal. That is their right. But the Congress has a duty. The determining factor should, as George Washington said, be the guarding and preserving of the union of the whole.

The Trade Agreements Act stands as a worldwide symbol of enlightened statesmanship. Failure to renew and strengthen that act as the President has requested would set back the clock and endanger our Republic and each and every person in it. That is the paramount consideration.

STATEMENT BY SECRETARY WEEKS

I am here to urge legislation to make jobs and to protect jobs—the jobs of more than 4½ million American workers whose livelihood is provided by world trade.

I have come before the committee to urge favorable consideration of H. R. 10368, introduced by Chairman Mills, and its companion measures introduced by Congressmen Kean, Frelinghuysen, and Chamberlain, which would amend and extend present trade agreements legislation. The purpose of this bill in general is to extend for a period of 5 years the President's authority to enter into trade agreements with other countries and to give the President certain additional authority to reduce United States tariff rates in return for reciprocal concessions by foreign countries.

The trade agreements program, given its close and direct relationship to our economic welfare and national security, by its very nature deserves bipartisan support. The President, in his message to Congress on January 30, urged adoption of this legislation and said:

The enactment of this legislation—unweakened by amendments of a kind that would impair its effectiveness—is essential to our national economic interest, to our security, and to our foreign relations.

I am here to tell you how all of this affects our economy, but I warn you that the Soviet Union's new global economic drive puts to hazard our favorable trade posture, menaces free-world unity, and jeopardizes the foundation of peace.

These ominous new factors introduce logical grounds for those with previous doubts about reciprocal trade to reexamine their position. Even more, these developments provide impelling reasons for everyone, in sheer self-interest in security, to consider extension as a means of strengthening that security.

It's either more trade or more trouble.

If these conclusions are correct and if this legislation is good for the country, it should be adopted by the Congress. Because I thoroughly and completely believe the legislation is not only good for the country but essential in the national interest, I am here to open the discussion and present the evidence.

Let me first point out that the responsibilities of the Secretary of Commerce, as set forth in the

statute, are to foster, promote, and develop the foreign and domestic commerce of the United States. Obviously in doing this the needs of all segments of American business and industry must be taken into consideration.

"All segments" include both those who produce for export and those who have little or no interest in foreign markets. It includes those who depend heavily on imported commodities and those whose goods must compete with imports in the U.S. market. It includes all who process, transport, and distribute our exports and our imports, as well as those with a vital stake in our overseas investments. I spell it out in this manner to make clear that, in formulating the judgments which I am communicating to you, I have, I think, considered the interests of all sectors of American business.

With world trade an ever more important part of our economic life, the Department of Commerce is playing an increasingly significant role in the formulation of our foreign trade policies. Recently the President strengthened Commerce's role in trade agreement matters and in foreign economic questions generally by creating a Cabinet-level Trade Policy Committee,⁶ chaired by the Secretary of Commerce.

This Committee, already in operation, directly advises the President in the administration of the trade agreements program. The recommendations made to the President by this Committee, under Commerce leadership, will include action in escape-clause cases. It will guide the direction of GATT [General Agreement on Tariffs and Trade] negotiations, and it will be consulted on the proposed composition and membership of the delegation to the GATT. The Committee will review and advise the President upon all recommendations of the interdepartmental Trade Agreements Committee and will be consulted in all other situations that influence this country's posture in world trade. Creation of the Trade Policy Committee reflects the fact that our domestic economic situation is receiving due weight when decisions on international questions are taken.

The very fact that the Secretary of Commerce has been asked by the President to present to the Congress the administration's trade proposals re-

veals the increasing responsibilities in this field of the Department with wide experience and understanding of the problems of private industry.

Record High Level of Trade

Let me first say a few words about the increasingly high level of our total trade, which reached a record high in 1957, and the relationship of our trade picture to other important segments of our economy.

(1) Exports of manufactured products, raw materials, and foodstuffs in 1957 (exclusive of military aid) reached the staggering total of \$19½ billion (approximately)—the highest in our nation's history.

During the same year, imports in the same categories totaled \$13 billion (approximately).

A recital of figures of this magnitude must immediately convince anyone of the great importance of this trade to our economy as a whole.

(2) Foreign trade provides the livelihood for at least 4½ million American workers, or about 7 percent of our labor force. This figure includes those engaged directly or indirectly in production or service for export or in the distribution of imports or in the first factory processing of imported materials.

Our exports of goods and services currently represent about 6 percent of the nation's output. The value of U.S. goods marketed abroad in '56 exceeded the value of:

All consumer purchases of automobiles, parts, and accessories; or

All residential nonfarm construction; or

All consumer purchases of furniture and household equipment.

Around 9 percent of our entire output of movable goods was exported in 1956. For example, we exported:

11 percent of our machine tools;

19 percent of our production of trucks;

26 percent of our construction and mining equipment.

I am giving you examples from the field of manufactured products in which I have special responsibilities.

My understanding is that later Secretary Benson will give this committee examples of even higher export percentages for agricultural commodities.

⁶ *Ibid.*, Dec. 16, 1957, p. 957.

Reciprocal Trade Agreements' Role in Trade

A recital of trade developments leads me to the part which the reciprocal trade agreements program has played—in my estimation, a significant and constantly increasing role.

In a real sense, however, an examination of developments during the past 5 years or so is the first opportunity we have had to really judge the program and the trend. Before this, World War II with its aftermath and the Korean war had so distorted world trade, had so increased the need of many countries for imports and so reduced their ability to export, that the effects of reciprocal duty reductions were temporarily overshadowed during this period.

By looking at the last 5 years, when economic conditions have become more normal in most countries, we can see better what has happened during a period when tariff rates have again become an important factor in trade. In this way we can form some idea of the worth of a program under which we and all our important trading partners have reciprocally lowered many duties.

Let me first present to you a chart⁷ in which we have compared, under the heading of "Exports and Imports of Finished Manufactures in Constant 1956 Dollars," the trend of exports and dutiable imports. The export total has been arrived at by subtracting the total value of our foreign-aid grants.

The really significant factor to be noted is the tremendous increase of our exports of finished manufactures in the last 5-year period as contrasted in this particular field with a relatively small increase in dutiable imports of the same category of goods.

Trends in Particular Commodities

In somewhat more detail let me now refer to several charts depicting trends of the last 5 years in exports and imports of particular types of commodities.⁷ For this purpose I am choosing examples from industries whose products are both exported and imported on a significant scale. I am including several industries whose spokesmen have been known to complain publicly about competitive imports, even though their products are exported in much larger volume than they are imported. As I look at the figures I wonder if

such spokesmen are bearing in mind the stake which their own industries have in the maintenance of export markets and if they realize how much they themselves might risk should the United States follow short-sighted policies leading to shrinkage of our markets abroad.

Let us look, for example, at our chemical trade.

In 1953 we exported about \$900 million worth of chemicals and allied products and imported some \$450 million worth. Our exports of chemicals have risen steadily, and by 1957 totaled \$1½ billion, roughly 70 percent above the 1953 level. Our imports, on the other hand, have remained at or below the 1953 level throughout this period. This does not strike me as the record of an industry in dire jeopardy from import competition. Rather, it suggests an industry with a vital stake in keeping as clear as possible its channels to export markets.

One of the most important single classes of United States exports is industrial and business machinery. Such exports have risen from about \$1.7 billion in 1953 to more than \$2.6 billion in 1957. Imports of industrial machinery, although acquiring some consequence in the past decade, have risen much less since 1953, from \$150 million to \$280 million a year.

Similarly, while imports of iron and steel-mill products have held steady at roughly \$200 million both in 1953 and in 1957, over the same span exports of steel products approximately doubled, moving from about \$560 million to more than \$1,100 million.

For several decades the automobile industry has been one of our major exporters. Much attention has recently been attracted, therefore, by the rise of foreign passenger cars in our import trade, from slightly more than \$50 million in 1953 to well over \$300 million in 1957. What has not been so widely noticed is that U.S. exports of autos, parts, and accessories have risen over the same period by an even larger amount, from just under \$1 billion to nearly \$1.3 billion. As in the other cases just cited, this two-way exchange reflects primarily a high degree of industrial specialization from which both we and our trading partners realize substantial gains.

Still another industry in which our exports have grown rapidly is paper manufacturing. Exports of paper and paper products have risen by more than 60 percent since 1953. To be sure, our im-

⁷ Not printed.

ports of paper and paper manufactures (exclusive of newsprint, for which we rely chiefly on foreign supplies) have risen by a similar percentage, but they remain less than one-third as large as corresponding exports.

Now let me turn to cotton textiles, where the trade picture does not look as good as some of the others. Imports of cotton manufactures doubled from \$75 million in 1953 to \$154 million in 1956 and amounted to about \$135 million last year. Over the same interval, exports of cotton manufactures have declined somewhat, from \$272 million in 1953 to about \$250 million in 1957. But we should not lose sight of the overall picture, in which U.S. cotton textile exports remain nearly twice as large as imports.

Imports represent a quite small proportion of our total consumption of cotton textiles. Figures showing the ratio of imports to domestic production are not available for cotton manufactures as a whole, but there are some data for particular sectors. In the case of cotton broadwoven fabrics, an important segment, foreign supplies were probably not over 2 percent of domestic production in 1957. For the textile-mill product and apparel industries as a whole, including cotton and other materials, it is estimated that imports amounted to 3 to 3½ percent of our domestic production.

Finally, in this connection, I would remind you of our recent efforts in bringing to the attention of the Japanese the implications of the very rapid rise in U.S. imports of cotton textiles which was under way a few years ago. The Japanese decided to limit their exports of such products to us, and I believe that this voluntary action on the part of Japan has worked well in the interests of both countries.

In a world as complex as ours, in which a variety of factors affect trade, it is difficult to isolate the effects on trade of any one influence. It is clear that many things in addition to the reciprocal trade agreements program have played a part in these favorable developments which I have described. But, while it would be incorrect to attribute these advances solely to the reciprocal trade agreements program, it is downright wrong to condemn a program under which such spectacular strides have been achieved. We may not be able to measure precisely the part played by the program in expanding our exports, but these were the rules under which the game was played while

our trade was making such outstanding progress. In the light of the results, how can one say the rules are bad?

Freetraders and Protectionists

It seems to me that thoughtful people cannot fail to be impressed by the trading history of recent years. Certainly these developments have influenced my own thinking and, taken in conjunction with other cardinal facts in today's world—the Soviet threat, the compelling need for free-world unity in the face of that threat, and the creation of economic entities such as the European Common Market—they are compelling arguments for continuing the program.

Don't infer from this that I've become a free-trader; I'm no more a freetrader than I am a hardshell protectionist. Basically, I consider myself a moderate, and I feel that the bill under consideration is one a moderate can wholeheartedly support.

Mr. Chairman, I say categorically to the committee what I have said many times before, that there is nothing to be gained in this picture by having freetraders and protectionists screaming imprecations at each other. If either side wins the battle outright, both sides will lose it; and the only possible thing that can be done today in this country is to exhibit a little give and take and approach this trade problem in a moderate manner, to the end that we may build for the future on a solid foundation.

A basic reason we are anxious to export is that by exporting we earn the means to pay for our imports. The same reason is equally applicable to our trading partners. They want and need to obtain from us a wide range of goods, usually because our products are better, or more readily available, or cheaper. In order to buy, however, they must earn the wherewithal to cover their purchases, and that is why they consider it so vital to sell their goods and services to us. If we do not buy from them, they cannot buy from us. If they could not buy from us the goods they need, they would have to find substitute sources, while our own efficient export industries, cut off from their important overseas markets, would experience great difficulties because they had lost their customers.

Our exporting industries are, as I have described, very important; and difficulties they

might experience would have noticeable repercussions throughout the entire economy. We think a great deal in this country about protection. However, as we give a measure of protection against hurtful foreign competition, we had better begin to think of affording a measure of protection to our vitally important export trade as well.

There are those who profess to see no connection between our imports and our exports, who say we could continue to sell even though we refuse to buy. I think they are wrong. A private citizen who cannot sell his products soon has to reduce his own purchases. In the same manner, a nation which cannot find export markets for its own products must soon cut down on its purchases even though the products purchased play a vital role in its economic life. Nor can our future trade be limited to what foreigners can earn by selling us wholly noncompetitive products, such as coffee or bananas.

European Common Market

The objective of this bill is to reduce obstacles to our exports and imports and thereby encourage international trade and heightened economic activity in our industries which depend directly or indirectly on trade. A recent development abroad illustrates very well the importance of our following consistent, forward-looking trading policies in our own economic self-interest. I refer to the creation at the beginning of this year of the European Economic Community, the so-called European Common Market. Here six European countries, with a combined population almost equal to ours and a combined national product about one-third of our own, are in process of forming a new economic grouping.

When the Common Market is ultimately achieved, in 12 to 15 years, all duties on the internal flow of goods within this Community will have been eliminated. Beginning in about 4 years the participants will take the first steps to apply a common customs tariff to the outside world, including the United States. If the Common Market works as planned, the participating countries will ultimately enjoy a higher standard of living than they would otherwise have been able to attain. They will reach these higher living standards only if industry and agriculture in the Common Market countries become more efficient and more productive—more competitive, if you will.

A Europe where economic activity is heightened, where more goods and services are being produced and consumed, will clearly offer greater trading opportunities to U.S. business. We need only look at what has happened to our exports to these same six countries during recent years, when European economic recovery made such remarkable strides, to get an idea of the close connection between economic activity abroad and the levels of our trade. During 1953 our exports to these six countries totaled \$1.5 billion; in 1957 we exported to them \$3.2 billion worth of goods.

The extent to which we can benefit from these enlarged opportunities will depend upon the tariff rates ultimately adopted by the European Economic Community. The Community stands ready to adjust individual rates in return for reciprocal concessions by its trading partners. To my mind, it is extremely desirable for the President to have authority in this field which will enable us to maintain and expand our export markets in this vitally important area of the world. The countries of the European Common Market will be developing their uniform tariff over the next 5 years and will be placing it in effect at the close of that time. A 5-year extension of the Trade Agreements Act, as provided in H. R. 10368, will give the President needed authority and flexibility to negotiate throughout this important period.

In the words of the President himself, "Such an extension, with the tariff reduction authority to be requested, is necessary to carry the trade agreements program through the early formative years of the European Economic Community and strengthen our ability to further vital American interests there and elsewhere in the world." It is obvious that the crucial period in determining future trade patterns will occur during the next 5 years. It will be tragic if American industry is penalized by appearance of indecision which most certainly will result from a prospective change in trade policy during the 5-year period.

At the same time, the United Kingdom and most other Western European countries not in the Community are considering ways to associate themselves with the Common Market to form a still wider free-trade area. If this endeavor succeeds, our need for adequate powers in this field will be even more urgent.

Safeguards to American Industry

I have been stressing the general desirability of an expanded foreign trade and our need in this connection for the authority conferred by this legislation. I want to stress equally my belief that when we work for increased trade we have a clear duty to see to it that we do not grant tariff reductions which cause serious injury to individual segments of American business. I believe the safeguards contained in the present legislation, as reinforced by H. R. 10368, fully meet this essential need. It is because I am, on the one hand, convinced of the desirability of expanded trade and, on the other, of the adequacy of the safeguards against serious injury to U.S. business that I am prepared to support this legislation so unequivocally.

I would like now to review the actions taken by the President to date in escape-clause cases. Since the provision was written into the law, the President has made escape-clause decisions on 23 commodities. Of the 23 commodities in question, the President invoked the escape clause in the case of 9. He declined to do so in 14 cases. Included in this 14 figure are lead and zinc, on which he arranged an alternate remedy,⁸ and velveteen fabrics,⁹ where relief for the industry was afforded by the voluntary decision of our foreign suppliers to limit their exports to us.

In each case where he decided not to invoke the escape clause, the President documented fully and publicly his reasons. In some cases the President concluded that serious injury as a result of imports had not been demonstrated, in others, that the proposed tariff increase would not remedy the situation in any significant way. While basing his decisions primarily on these considerations, the President, whose responsibility it is to conduct the foreign relations of the United States, obviously also had to weigh the effects of particular actions on our relations with other nations, on our alliances, and on our military security itself.

As an example, in the case of fish fillets the President concluded that the raising of duties would not really improve the situation of our industry and, as I interpreted his action, it might

⁸ For an exchange of letters between President Eisenhower and Representative Jere Cooper on lead and zinc import taxes, see BULLETIN of Sept. 23, 1957, p. 490.

⁹ *Ibid.*, Feb. 11, 1957, p. 218.

well push a friendly country far into a position of economic dependence on the Soviet Union. The country in question, Iceland, plays a vital role in our defense alliances by virtue of its geographic position. Therefore, instead of raising duties, the President decided instead to take a series of other measures which he judged would more effectively assist our domestic interests without prejudicing our relations with an essential ally.

This exemplifies the vital role played by the President's discretionary powers in these matters. I know that some wish to limit the President's discretion in escape-clause cases. I submit that this would be little short of disastrous. These matters are never completely black or white, and they do vitally affect not only particular segments of our economy but also our national interest and national security as well. I believe it absolutely crucial that the President continue to retain discretionary powers in this vital area. I know these are strong words; I have purposely made them so.

Reciprocal Nature of Trade Program

It has been charged that the reciprocal trade agreements program has in fact not been reciprocal, that we have reduced our duties without receiving in return equivalent reductions from our trading partners. The facts do not bear out this assertion. We have obtained direct tariff concessions from foreign countries on a wide range of commodities.

By the best estimates we have been able to make, we have obtained concessions from other countries—that is, duty reductions or bindings—on some \$7 billion of U.S. exports, of which at least half would be exports of goods that pay duty in the importing country. For our part, we have granted concessions on about \$7 billion also, but about three-fifths of this amount has consisted of binding rates for goods which already entered our market duty free.

Trade figures, of course, do not tell the entire story. Let us look at changes in the tariff levels of some of our principal trading partners during the period covered by the program.

The average *ad valorem* duty rate on Western Germany's imports, for example, was less than 8 percent in 1956. This contrasts sharply with the level in prewar Germany—28 percent in 1937.

Over approximately the same interval, corresponding data for France show a decline from 17 percent to 6 percent, and the average rate on Italian imports fell from 12 percent to 8 percent.

For the United Kingdom, the statistical picture is somewhat obscured by the high British revenue duties on such items as liquor and tobacco. These levies, which are essentially consumption taxes, have been increased since the beginning of World War II. Exclusive of the revenue duties, however, the average British tariff rate has been reduced from 4 percent in fiscal 1938 to 2 percent in fiscal 1956.

Belgium and Sweden already had comparatively low tariffs before the war. Nevertheless, these also have been significantly reduced—from 9 percent in 1937 to 5½ percent in 1956 in the case of Sweden, and from 6 percent to 4 percent for Belgium-Luxembourg.

These examples show that other industrial members of the GATT have kept reasonably well in step with the United States in reducing tariff barriers from their high prewar levels. Generally speaking, tariff schedules of underdeveloped countries have not been characterized by similar reductions. Among such countries who are members of GATT, however, reciprocal concessions have certainly kept duties lower than would otherwise have been the case.

Following the war, many foreign countries imposed quantitative restrictions on dollar goods for balance-of-payments reasons. Such quota restrictions had considerable effect on trade patterns. We agreed that quotas could be used as long as balance-of-payments problems made them necessary. These financial problems deferred some of the benefits we obtain from tariff concessions, but this was inevitable as long as countries could not in any case pay dollars for more imports. There was full agreement by all parties, however, that quota restrictions should be relaxed and removed as rapidly as circumstances permit, and this basic principle is written into the GATT.

There has been very considerable progress in breaking down quotas on imports of our goods in recent years, particularly in Western Europe. Today, for example, Belgium and the Netherlands impose virtually no restrictions on imports of dollar goods. Germany has virtually eliminated its quantitative restrictions. Sweden has freed 70 percent of its private dollar imports from quota

restrictions, Italy 72 percent, Denmark 55 percent, Norway 86 percent; in fact, practically all the countries of Western Europe have taken some steps to remove quotas on dollar imports. This development undoubtedly has played a part in the extremely favorable development of our European trade in recent years.

When foreign countries are judging whether their payments position permits the relaxation of their controls on dollar imports, one factor in the calculation is their evaluation of U.S. commercial policies. If they think we intend to follow a basically cooperative trading policy, they feel they can more safely reduce or eliminate their restrictions. The passage of this bill could only give impetus to the movement toward liberalization of dollar trade.

GATT and OTC

To digress a moment, you all know that the General Agreement on Tariffs and Trade plays an important role in the trade agreement picture. It embodies the basic provisions calling for multilateral, nondiscriminatory international trade, and it provides a mechanism through which negotiations looking to reciprocal tariff reductions are carried out.

To enable the GATT to perform its functions more efficiently and more effectively, the creation of an Organization for Trade Cooperation has been proposed. The administration, with my wholehearted support, has recommended to the Congress that the U.S. concur in this action.¹⁰ The OTC itself would in no way limit our freedom of action, nor would it impose any new obligations on us. Its chief function would be to make GATT operations more efficient. Most of those who oppose OTC are those who have reservations about the reciprocal trade program itself and who thus oppose GATT and any mechanism designed to make GATT operations more effective. If we agree that the reciprocal trade program itself is essential, as I firmly believe, it follows that OTC is a desirable adjunct.

I have already mentioned the Commerce Department's new responsibilities in reciprocal trade matters. If OTC comes into being, its role in these matters—and that of businessmen generally—will be further enhanced. Under the pro-

¹⁰ *Ibid.*, Apr. 22, 1957, p. 657.

posed bill authorizing U.S. membership in OTC, an advisory committee, chaired by the Secretary of Commerce and consisting of representatives of American industry, labor, agriculture, and the public, would be created to advise and consult with the U.S. chief representative on matters coming before OTC. And it is the President's intention to appoint as our chief representative someone having wide and practical business experience.

Administration's Proposals Analyzed

We come now to the specific proposals contained in H.R. 10368. The committee has received a full analysis of the bill and is already familiar with its provisions; so I will be very brief.

First, the administration proposes that the President's authority to enter into trade agreements be extended for 5 years, from June 30, 1958, through June 30, 1963.

This extension is needed for the following reasons: In negotiating for reduction of impediments to U.S. exports, a better "deal" can be made if the negotiating country has confidence that our course will not be changed for at least 5 years. Substantial commercial arrangements in the foreign trade field extend over a long time, and governments, as well as commercial concerns, are reluctant to make long-term commitments unless they have some assurance that other governments will maintain a consistent policy for a reasonable length of time. Experience shows that foreign trade may be adversely affected by uncertainty about the trading policies of important countries, including our own.

As I have already explained, a 5-year renewal of negotiating authority is also necessary to enable us to help American industry and agriculture maintain and further develop their trade relationships with the European Common Market. It is important to American industry and agriculture that the new Common Market rates be as low as possible. The United States needs to undertake careful and exhaustive preparations and conduct detailed negotiations with the Common Market, and, in order to do so, the President must be provided with sufficient authority.

The administration further proposes that additional authority be provided to reduce duties in carrying out trade agreements entered into between July 1, 1958, and July 1, 1963. This would consist of authority to reduce individual rates of

duties to a point not below the lowest rate resulting from applying any one of the three following methods:

(1) Reducing the rate to the level which would result from decreasing the July 1, 1958, rate by five successive annual reductions each equal to 5 percent of that rate. Under this method, the President would also be authorized to reduce a duty by this same total amount over a shorter period; however, 10 percent of the rate would be the maximum reduction which normally could be put into effect for the first time in any one year.

(2) Reducing the July 1, 1958, rate by not more than three percentage points *ad valorem*. Such reductions would also have to take effect by stages, over a period not exceeding 5 years. However, normally, no more than one percentage point could be put into effect for the first time in any one year. This alternative authority would be significant in the case of rates of less than 12 percent, where three percentage points would be a larger reduction than the maximum reduction under the first method.

(3) Reducing, as is presently authorized, an existing rate which is above 50 percent *ad valorem* down to 50 percent *ad valorem*. Here, too, reductions would have to be made gradually; not more than one-third of the total reduction could be put into effect for the first time in any one year. This alternative authority would be significant in cases of rates over 66⅔ percent, where it would permit a greater reduction than under the above first alternative method.

The peril-point provisions of the present legislation are reaffirmed.

The administration not only proposes that the peril-point and escape-clause procedures and other safeguards for American industry and labor in the present law be continued but also that the safeguards be strengthened. Specifically, it is proposed that the President be given greater authority to raise duties. This additional authority will be valuable in escape-clause cases. The President would be authorized to raise duties as much as 50 percent over the rates which existed on July 1, 1934. This represents a significant change from the present law. In escape-clause cases, the President now has authority (1) to terminate the trade agreement concession, with the result that usually the rate established by the Tariff Act of 1930 then applies, or (2) to increase

the duty by as much as 50 percent over the rate existing on January 1, 1945. Since on many items the 1934 rates were substantially higher than the 1945 rates, this change would increase the extent to which duties on such items could be raised where necessary to avert serious injury to domestic industries.

The administration also proposes that the law be amended to provide for more prompt and effective consideration of serious injury cases under these circumstances: The Tariff Commission shall promptly institute an escape-clause investigation if in the course of a peril-point investigation it finds (with respect to an article on the list, upon which a tariff concession has been granted) that an increase in the existing duty or additional import restrictions is required to avoid serious injury.

Under present law, when the Tariff Commission finds that even the existing rate threatens injury, the President is required either (1) to negotiate to increase the rate to the point at which the risk is avoided or (2) to report later to Congress why he failed to do so. Experience has demonstrated that it is usually impractical to negotiate increases. As a result, there is always a possibility that in such cases it may turn out that an escape-clause action is later instituted in order to give relief to the industry concerned. Meanwhile, several months might have elapsed.

Under this new procedure, no time would be lost in the event the increase were not negotiated. Rather, the procedures of the escape clause would have been started immediately upon the peril-point finding. In many such cases, provided the escape-clause investigations do confirm the threat of serious injury, this automatic procedure would have the effect of saving months in any eventual granting of relief afforded the industry concerned. An industry genuinely deserving relief should receive it without unnecessary delay.

Soviet Economic Offensive

Up to this point I have been describing the bill itself and discussing its economic implications. I would now like to comment briefly on another factor to which I alluded earlier—the relation of this program to our nation's security in the face of the Soviet threat. Let me quote a statement made by Mr. Khrushchev on November 2, 1957:

We declare war upon you—excuse me for using such

an expression—in the peaceful field of trade. We declare a war we will win over the United States. The threat to the United States is not the ICBM, but in the field of peaceful production. We are relentless in this, and it will prove the superiority of our system.

Clearly, the Soviet Union is conducting an economic offensive against the free world.¹¹ Using combined programs of trade and aid, it is attempting to increase its influence in the free world and to lessen our own. Such a program, if successful, could seriously endanger our entire way of life.

The Soviet Union is apparently convinced that trade is the most effective way to influence and win over the peoples of the world—more effective than sputniks, more effective than progress in rocketry, missiles, and armaments. The Russians may well be right.

We would be ill-advised to underestimate the economic capacity of the Soviet bloc to stage such an offensive or the appeal which Soviet offers may hold for other countries. The threat posed by the Soviets in the trade field is a real and a serious one. It would be doubly serious if, while the Soviets preach and practice expanded trade, we were to retreat from our program and were to weaken ourselves by self-imposed restrictions on trade. Stop trade and the nations dependent on international exchanges will surely move away from us and toward the Communist world.

Let me cite examples of Soviet trade moves which tend to increase their influence and prestige.

In its trade drive Russia is pinpointing areas of political ferment and economic distress in the free world, with particular emphasis on the underdeveloped countries. Within the past few months the Soviet Union has, for example, offered to take wool from Uruguay and coffee from Colombia. It has offered in return both finished manufactures, including machinery, and such interesting items as petroleum. The U.S.S.R. is buying much Egyptian cotton and in 1957 was Egypt's most important customer. The Soviet pattern of offering to purchase basic commodities that have declined in price on world markets has been repeated in a number of other countries—Burma, for rice, and Ceylon, for rubber, are examples.

¹¹ For a summary of the Soviet economic offensive in recent months, see *ibid.*, Jan. 27, 1958, p. 144.

Paralleling these trade drives are Soviet programs under which attractive industrial installations are offered to underdeveloped countries at what appear to be bargain terms. To mention only one, the Russians have agreed to provide a steel mill to India. These credits to finance imports from the Soviet Union help the Soviet Union develop economic ties that may become difficult to throw off.

We need not meet the Soviet Union on every economic battlefield by offering to take commodities which are in adequate or surplus supply in the United States and for which our import markets are limited. But the reciprocal trade agreements program is one of our strongest weapons with which to counteract their offensive. It does not in itself provide the complete answer to Soviet economic penetration, but it is absolutely indispensable in the sense that, without it, nothing else we do is likely to be very effective. If we do not demonstrate to the world that we support the continuing reduction of obstacles to free-world trade, if our failure to take action weakens our friends to the point where they fall into economic dependence on the Soviet bloc, we will have lost a crucial battle in the epochal struggle of our era.

As I hope I have demonstrated, in this program there is no conflict whatever between our economic well-being and our political necessities. The wisdom of continuing the program therefore seems to me inescapable.

In my studies of these matters, I have looked back to see what eminent men in our public life have said about reciprocal trade treaties. I was particularly impressed by Theodore Roosevelt's statement, made in 1902, which I quote:

It is greatly to be desired that such treaties may be adopted. They can be used to widen our markets and to give a greater field for the activities of our producers on the one hand, and on the other hand to secure in practical shape the lowering of duties when they are no longer needed for protection among our own people, or when the minimum of damage done may be disregarded for the sake of the maximum of good accomplished.

Gentlemen, everything in life is a matter of degree. I said earlier that in this trade problem the only possible thing that can be done today in this country is to exhibit a little give and take and use a moderate approach. This is not something either black or white, and we shall lose as a nation if we insist on approaching it in these

terms. The bill you are considering embodies the practical and moderate approach I advocate.

In conclusion, may I leave with you the thought which I have emphasized frequently today: Let those who advocate the defeat or weakening of the trade agreements program count all the cost. Even though some of them may think they are shielding some business from some competition, their action, if successful, would jeopardize the job security of more than 4½ million American workers whose living depends on world trade. Such a threat would be wrong at any time, even more so in a period of business downturn with larger than seasonal unemployment.

The trade program will protect millions of American jobs. More trade will make more jobs.

Because of all the reasons set forth today, I have every confidence that the urgently needed trade legislation will be adopted by the Congress.

INTERNATIONAL ORGANIZATIONS AND CONFERENCES

Mr. Butterworth Represents U.S. in Three European Communities

White House press release dated February 28

President Eisenhower on February 28 appointed W. Walton Butterworth as U.S. Representative to the European Economic Community and to the European Atomic Energy Community, with the personal rank of ambassador. Mr. Butterworth will continue to serve as U.S. Representative to the European Coal and Steel Community, a position which he has held since 1956. He will thus head a combined mission to provide U.S. representation to the three European Communities.

The United States has consistently supported moves to further the unity and economic strength of Western Europe. The United States has therefore welcomed establishment of the two new Communities as a historic event which will contribute greatly to the continued development of European unity and Atlantic cooperation.

The European Economic and Atomic Energy Communities were established by treaties which entered into force on January 1, 1958. The mem-

ber countries of the Communities are: Belgium, France, the Federal Republic of Germany, Italy, Luxembourg, and the Netherlands. These same six nations are also members of the European Coal and Steel Community. The treaty establishing the European Economic Community provides for formation of a common market among the members within a period of 12 to 15 years. The treaty establishing the European Atomic Energy Community (EURATOM) provides the framework for a common effort by the six countries in the development of nuclear energy for peaceful purposes.

U.S. Proposes Marcus Daly as New ICEM Director

The Department of State announced on February 27 (press release 93) that Marcus Daly, international lawyer and corporation executive, has been proposed by the United States as Director of the 27-nation Intergovernmental Committee for European Migration, with headquarters at Geneva.

Mr. Daly's name was proposed to the free nations concerned by the Department through American embassies so that it can be considered before the eighth ICEM Council session, which will convene at Geneva on May 7, 1958. The post of Director has been held by former American Ambassador Harold H. Tittman, Jr., who has submitted his resignation from the ICEM post.

TREATY INFORMATION

Current Actions

MULTILATERAL

Automotive Traffic

Convention on road traffic, with annexes. Done at Geneva September 19, 1949. Entered into force March 26, 1952. TIAS 2487.

Accessions deposited: Haiti, February 12, 1958; Spain, February 13, 1958.

Convention concerning customs facilities for touring. Done at New York June 4, 1954. Entered into force September 11, 1957. TIAS 3879.

Notification by United Kingdom of extension to: Brunei, Antigua, Mauritius, Sarawak, Dominica, Bermuda, Gambia, Montserrat, Federation of Nigeria, British Solomon Islands Protectorate, Gibraltar, Virgin Islands, St. Helena, Grenada, St. Vincent, January 14, 1958.

Ratification deposited: Haiti, February 12, 1958.

Customs convention on temporary importation of private road vehicles. Done at New York June 4, 1954. Entered into force December 15, 1957. TIAS 3943.

Ratification deposited: Haiti, February 12, 1958.

Genocide

Convention on the prevention and punishment of the crime of genocide. Done at Paris December 9, 1948. Entered into force January 12, 1951.¹

Accession deposited (with reservations): Morocco, February 10, 1958.

Highways

Regional agreement providing for a road development program to be carried out in the area of Nepal. Signed for India and Nepal at Kathmandu January 2, 1958, and for the United States at New Delhi January 6, 1958. Entered into force January 6, 1958.

Trade and Commerce

International convention to facilitate the importation of commercial samples and advertising material. Dated at Geneva November 7, 1952. Entered into force November 20, 1955; for the United States October 17, 1957. TIAS 3920.

Accession deposited: Haiti, February 12, 1958.

BILATERAL

India

Agreement amending the agricultural commodities agreement of August 29, 1956 (TIAS 3661). Effected by exchange of notes at Washington February 13, 1958. Entered into force February 13, 1958.

United Kingdom

Agreement relating to the supply to the United Kingdom of intermediate range ballistic missiles. Effected by exchange of notes at Washington February 22, 1958. Entered into force February 22, 1958.

DEPARTMENT AND FOREIGN SERVICE

Designations

Richard D. Gatewood as Deputy Director, Office of Intelligence Resources and Coordination, effective February 17.

¹ Not in force for the United States.

Afghanistan. Prime Minister of Afghanistan To Visit United States	417
Atomic Energy. Euratom President Invited To Visit United States (Dulles)	425
Ceylon. Food Offered to Ceylon for Flood Victims	426
Congress, The	
Congressional Documents Relating to Foreign Policy	431
The Mutual Security Program, an Expression of American Idealism (Dulles)	427
Question of Extending the Trade Agreements Act (Dulles, Weeks)	432
Department and Foreign Service. Designations (Gatewood)	446
Economic Affairs	
Mr. Butterworth Represents U.S. in Three European Communities	445
Economic Aid and Foreign Trade: How They Help To Protect Our Freedom (John Lodge)	420
Question of Extending the Trade Agreements Act (Dulles, Weeks)	432
Egypt. U.S. Recognizes Government of United Arab Republic	418
Europe	
Mr. Butterworth Represents U.S. in Three European Communities	445
Euratom President Invited To Visit United States (Dulles)	425
U.S. Proposes Marcus Daly as New ICEM Director	446
Guatemala. Guatemalan President-Elect Visits United States	417
International Organizations and Conferences	
Mr. Butterworth Represents U.S. in Three European Communities	445
Euratom President Invited To Visit United States (Dulles)	425
U.S. Proposes Marcus Daly as New ICEM Director	446
Military Affairs. United States To Supply IRBM's to United Kingdom (texts of notes)	418
Mutual Security	
Economic Aid and Foreign Trade: How They Help To Protect Our Freedom (John Lodge)	420
Food Offered to Ceylon for Flood Victims	426
The Mutual Security Program, an Expression of American Idealism (Dulles)	427
Security and Peace (Eisenhower, Dulles)	411
United States To Supply IRBM's to United Kingdom (texts of notes)	418
Presidential Documents. Security and Peace	411
Refugees. U.S. Proposes Marcus Daly as New ICEM Director	446
Syria. U.S. Recognizes Government of United Arab Republic	418
Treaty Information	
Current Actions	446

United States To Supply IRBM's to United Kingdom (texts of notes)	418
U.S.S.R.	
The Mutual Security Program, an Expression of American Idealism (Dulles)	427
Question of Extending the Trade Agreements Act (Dulles, Weeks)	432
United Arab Republic. U.S. Recognizes Government of United Arab Republic	418
United Kingdom. United States To Supply IRBM's to United Kingdom (texts of notes)	418

Name Index

Armand, Louis	425
Butterworth, W. Walton	445
Caccia, Harold	419
Daly, Marcus	446
Daud, Mohammad	417
Dulles, Secretary	415, 426, 427, 432
Eisenhower, President	411
Gatewood, Richard D	446
Herter, Christian A	418
Lodge, John Davis	420
Weeks, Sinclair	436
Ydgoras Fuentes, Miguel	417

Check List of Department of State Press Releases: February 24-March 2

Press releases may be obtained from the News Division, Department of State, Washington 25, D. C. Releases issued prior to February 24 which appear in this issue of the BULLETIN are Nos. 74 of February 19 and 80 of February 22.

No.	Date	Subject
81	2/24	Dulles: extension of Trade Agreements Act.
82	2/24	U.S.-U.K. agreement on IRBM.
*83	2/24	Gregory appointed director of mutual security program in Greece.
*84	2/24	Allison nominated Ambassador to Czechoslovakia.
†85	2/24	Denmark relaxes restrictions against dollar imports.
86	2/25	Dulles: conference on mutual security.
87	2/25	Recognition of United Arab Republic.
*88	2/25	Hare nominated Ambassador to United Arab Republic.
89	2/26	Dulles: mutual security program.
90	2/26	Grant of foodstuffs to Ceylon (rewrite).
*91	2/26	Educational exchange.
†92	2/27	Wadsworth designated U.S. representative in disarmament negotiations (rewrite).
93	2/27	Daly proposed by U.S. as director of ICEM (rewrite).
94	2/28	EURATOM president invited to visit U.S. (rewrite).
*95	2/28	Dillon biography.

*Not printed.

†Held for a later issue of the BULLETIN.

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